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Tourism at the Crossroads

Challenges to Developing Countries
by the New World Trade Order

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IMPRESSUM

Tourism at the Crossroads Challenges to Developing Countries by the New World Trade Order

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INTRODUCTION

Freedom in international trade and freedom of travel is the idea of the moment. Yet sometimes the freedom of people in the tourism destinations in developing countries is trampled underfoot. That is because costs and benefits from tourism are often unequally distributed. While tourism arouses great business expectations, the ensuing benefit is in reality generally far smaller. It is also often linked with negative socio-cultural and ecological repercussions. For years, groups critical of tourism have been confronting the consequences of a mis-conceived tourism policy with their vision of another, acceptable and sustainable kind of tourism: As many local people as possible are to share in the economic benefit of such tourism and participate democratically in its planning and implementation. This would be a tourism that respects the culture of the host country, does not damage natural resources and offers a stimulating experience to both hosts and guests.

The emerging world trade system under the World Trade Organization (WTO-OMC) provides a challenge of unprecedented order to the tourism-critical groups and organisations. For the first time, trade in services, including tourism, has been subjected to the policies of free trade doctrine, alongside internationally traded goods through the adoption of the General Agreement on Trade in Services (GATS). Tourism Watch and EQUATIONS have therefore initiated this study aimed at analysing the consequences of this change for tourism in developing countries. Such an analysis would help in evolving the strategies that need to be adopted for a sustainable and self-determined development in tourism.

This study sheds light on the legal bases of the new world trade order, documents the progress of liberalisation in this sector, identifies its risks and makes proposals for reforms. It takes account of the sectoral problems in developing countries in general and the Indian experience with tourism in particular.

Three problems play a prominent role here. In the first place, GATS intervenes deeply into areas of national and sub-national autonomy of the countries concerned. The effect of such intrusion is accompanied with greater problems since the structures that are vital for the participation of all concerned are also lacking in most developing countries. Secondly, human rights violations in the field of tourism pose a fundamental question to the new world trade order. Thirdly, the implementation of the commitments under GATS could lead to a disregarding of the WTO-OMC's commitment to sustainable development and conservation of natural resources. Reform proposals have been drawn up for all three areas. In our view their implementation is an important precondition for the development of sustainable forms of tourism.

We thank the authors of the study, D. Samuel Jesupatham (Indian Social Institute, Bangalore) and Jörg Seifert-Granzin (werkstatt ökonomie, Heidelberg) for this important work. We also have much reason to thank Elaine Griffith for the English translation, the Association of Protestant Churches and Missions (EMW) in Germany for their financial support, Christina Kamp for her untiring editorial support, and last but not least the German Protestant News Agency for publishing the study in their series 'epd-Entwicklungspolitik: Materialien'.

Presenting this study for general public debate we are hopeful that it will facilitate the discussions on the coming WTO-OMC Millennium Round, and will serve as a constructive element in the ongoing international process on tourism within the framework of the UN Commission on Sustainable Development (CSD).

1. TOURISM IN A GLOBAL ECONOMY: FORMS, SIGNIFICANCE AND CONTRADICTIONS

1.1 TOURISM AS A SERVICE MIX: SIGNIFICANCE AND INTERRELATION WITH OTHER ECONOMIC SECTORS

THE SCOPE OF TOURISM-RELATED SERVICES

If relevant figures and forecasts are to be believed, the tourist industry has long become one of the most important growth industries in the world. According to estimates of the World Tourism Organisation (WTO-OMT), over a billion people will cross national borders in the year 2010, income from tourist services will amount to over US\$ 1.5 trillion (WTO-OMT 1996a). Other estimates go even further. The WEFA estimated a global turnover of US\$ 3.5 trillion for the year 1987, which according to the World Travel and Tourism Council (WTTC) is to rise to over US\$ 7.1 trillion in the year 2006 (Kirstges 1996, 46f.). While the forecasters of global mobility are in agreement regarding the economic importance of tourism, they disagree about the segments involved. Is building hotel complexes a way of adding value through tourism? What grounds for travel (holidays, visits, business contacts, health, pilgrimages, etc.) are to be included in tourism?

In India, for example, four types of tourism play a significant role:

- Businessmen and women travelling as part of the international corporate world with an increasing presence of multinational corporations in India;
- foreign leisure tourists spending their holidays in India,
- domestic leisure tourists mainly stemming from the new middle class in India which has an increased disposable income as an outcome of the liberalisation process.¹
- the Indian pilgrim travel which might amount to the highest share according to number of travellers².

"Tourism - the biggest industry in the world?" Without a clear consensus regarding the forms of tourism the significance of this sub-sector cannot be assessed, let alone the impact of deregulating international trade in goods and services.

At the beginning of the 1990s the United Nations (UN) and WTO-OMT agreed on a joint, broad definition of tourism: "Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes" (UN/WTO-OMT 1994, 5). This consumer-related approach includes business trips and international and domestic tourism³. The orientation to

¹ Domestic tourists have swelled from nearly 60 million in 1992 to over 100 million in 1995. With a base of nearly 110 million, there is an in-built market of travelling Indians - says the Deputy Director General of Domestic Tourism. The middle class was on the rise, particularly the upper middle and high income groups in India, between 1989 and 1993. The lower and lower middle income households have grown about 6 percent in number, and the middle and middle income group grew nearly 26 percent. The Largest percentage increase was in the high income households which shot up from 2.1 million to 3.6 million - a hike of 7 percent in the five-year period (ET 3.10.96).

² The shrine of Lord Venketeshwara at Thirumala in Andhra earned a record income of Rs. 217.66 crores in 1995-96 during which it was visited by 20,518,152 pilgrims (Hindu 30.9.96).

³ In this context 'domestic' tourism refers to *residents* travelling within their own country. In the context of national accounts it has a broader sense and refers to all activities of residents and non-residents within a *reference country*.

the consumer, i.e. the traveller, conceals the close interweaving of the tourism sector with other (backward) service areas and support activities. To what extent, for example, do transportation, entertainment services, or food consumption contribute to profits from tourism?

Deciding what activities are to be attributed individually to this definition is more than a problem of definition or statistics. Generally the tourism sector is regarded as "... already relatively liberalised, although characterised by a marked absence of developing countries' suppliers in the distribution channels..." (Handsuh 1995, 17). Whether their weak position can be improved at all does not only depend on the services offered in the core tourist areas (hotels/restaurants, travel and tour operation, tourist guides' services). Support activities in the fields of finance, technology and procurement of goods and services are gaining in importance. In particular the access to modern distribution channels such as computer reservation systems (CRS) and online advertising, and the range of on-site services (sporting facilities, entertainment, etc.) will decide whether the tourism sector can make a higher contribution to domestic value added and economic development (cf. 1.1.2).

Under Tourism and Travel-Related Services (TTRS) the service sectoral classification of GATS covers hotels/restaurants, travel agencies/tour operators, tourist guide services and others. Diagram 4 (cf. p. 30) shows, however, that there is hardly a single service area that is not directly involved with tourism. The effects of the new World Trade Agreement on tourism will thus be far greater than they appear if we look at the commitments to liberalise tourism and travel-related services only.

INTERSECTORAL RELATIONS AND FORMS OF INTEGRATION

A key area of the interdependence of tourism-related sectors is the close connection between transport services and tourism. Over 80 percent of international tourists reach their destination by plane (Madeley 1996,8). The boom in long-haul travel came about when charter flights were linked with package tours, which resulted in a high degree of interaction between airlines and tour operators (cf.1.2). Furthermore, all other kinds of transport play a vital role in the tourism business: without busses, trains, (hired) cars and ferries, it would be difficult to achieve variety in (orchestrated) holiday worlds. All forms of recreational, cultural and sporting services are factors relevant to the location which are also of considerable importance.

At least as important as the core tourist activities are the wide range of business-supporting activities: credit card suppliers and travel insurance companies have conquered lucrative segments of the market. In the framework of strategic alliances, airlines are expanding their information technology infrastructure in order to use it jointly. Amadeus (Air France, Iberia, Lufthansa) and Apollo (Air Canada, Alitalia, British Airways, KLM, Swissair, United Airlines and USAIR) are only two of a good dozen CRS, which handle the bulk of all air bookings. New holiday resorts - such as all-inclusive resorts and theme parks - are planned by experienced consulting firms, financed through investment companies and marketed by specialised agencies. Evident backward linkages exist to food production and the building industry.

In view of the wide range of services it may be concluded that "activities related to the manipulation and distribution of information lie at the heart of the (tourism) industry's wealth-creating process" (Poon 1993, 214). Through special expansion strategies, individual players succeed in controlling activities in this process and taking a leading market position.

The strategies of vertical integration play a dominant role in individual segments of the tourism industry. Tour operators have for years been buying into the backward and forward

areas of service or production. Their backward integration includes hotels and charter airlines. Via a far-reaching forward integration of retail distributors and travel agencies, these operators also control all stages of distribution, marketing and sales of package tours. Airlines, too, operate massive forward integration, extending far into the field of primary tourism and travel-related services via their charter airlines which have interests in tour operators, retailers and travel agencies. By contrast, hotels and hotel chains hardly pursue strategies of vertical integration at all.

All stages of the tourist service chain are, on the one hand, marked by strong oligopolistic concentration and, on the other hand, by increasing competition between the providers. Airlines, tour operators and travel agencies are subject to an increased process of horizontal integration, which in the recent past has raised interest through spectacular take-overs like that of Thomas Cook by the German LTU group in 1993, or through joint ventures. The consolidation among airlines has been in full swing since the 1980s and is imminent for travel agencies. Estimates suggest that of the approx. 16,000 German travel agencies, at most half will survive this selection process (Scherer 1996, 32).

The expansionist strategy of diagonal integration aims at a company becoming a provider in as many tourism-related service markets as possible. "It is the process by which firms use information technologies to logically combine services (e.g. financial services and travel agencies) for best productivity and most profits" (Poon 1993, 216). A broadening of the service range offered is intended to cut costs ("economies of scope"), make the most of synergies between the individual markets and achieve systems gains. This includes e.g. the joint use of CRS by carriers and travel agencies under the roof of a holding, co-operation between credit card suppliers and tour operators or travel agencies offering the special insurance services of a holding partner.

Even though all forms of integration continue to play an important part in relevant tourism-related markets, there is hardly any doubt that the strategy of diagonal integration will gain in importance as information technology (IT) develops.

1.2 KEY PLAYERS IN INTERNATIONALLY TRADED TOURISM SERVICES

Eight core industry players in Europe dominate the supply side in tourism. In the broader context, national and international trade associations, national government ministries (transport, tourism) and multilateral organisations (IMF, World Bank Group, development banks) are influential in this sector. Besides traditional providers (airlines, hotels, travel agencies, tour operators and on-site service suppliers) companies gain in importance if they cover a broad range of tourist services by creating and delivering holiday "events". The most popular among the 'holiday-makers' are all-inclusive resorts (Club Méditerranée, Club Robinson). Fantasy resorts and theme parks (Disneyland, Centerparcs) are also active on the market of total holiday experience. Even cruise lines are losing their old-fashioned image and offering the safety of orchestrated holiday worlds.

The importance of banks, insurance companies, credit card suppliers and investment fund companies for tourism has already been pointed out. Financial service suppliers are conquering the travel and tourism markets. At the same time, traditional players are increasingly assuming financing functions in a process of diagonal integration and diversification⁴. By contrast, incoming agents have played a rather marginal role in tourism

⁴ In the literature terms like 'diversification' and 'integration' are defined differently. Poon understands 'diversification' as the expansion of a country in a field which has no relationship with previous corporate activities and cites the participation of airlines and car rental firms (Poon 1993, 222)

market places. They ensure quality control in service networks and operate primarily as intermediaries between the individual players in the destinations.

In view of the high degree of interrelations in the tourist industry, one might well conclude that a few players dominate at least individual (national) tourist markets. The complex mesh of interests, forms of co-operation and types of tourism-related services make it difficult to identify "market-makers".

Box 1: The TUI case

Germany's biggest hotelier (Table 1) is also the tour operator with the biggest sales in Europe. In 1997/98 the Touristik Union International in Central Europe achieved a turnover of DM 7.4 billion (fww Nr. 26/98), including all domestic and foreign interests in hotels, tour operators and on-site agencies. At the same time it is one of the most important European providers of long-haul trips, operating from Germany and elsewhere. Through its take-over of the leading Dutch tour operator Holland International, planned co-operations with Austrian travel agencies and Swiss tour operators, and expansion in Eastern Europe, TUI will probably remain the leading European operator in the long term. Yet this tourism giant has itself become a plaything of other group strategists.

The equity structure in this group highlights the integration of airlines, financial service suppliers, tour operators, travel agencies and on-site service suppliers; it reads like a Who's Who of the German tourist trade. The owner of this complex group (Hapag Touristik Union 50.1 percent, Preussag AG 25 percent and WestLB 24.9 percent) are in their turn affiliated with other leading German and American providers of tourist services. TUI itself has a 50 percent share in Airtours International GmbH, which is a 50 percent subsidiary of Lufthansa Commercial Holding GmbH (cf. Box 2). Among TUI subsidiaries (cf. Table 2), Holland International, Seetours and Airconti are themselves among the 1000 biggest European operators.

TUI has a three-level distribution system (Liedtke 1996): a few TUI agencies and the franchise chain TUI UrlaubCenter with its 255 outlets sell exclusively TUI travel services. In addition, 9,160 independent travel agencies at home and abroad are licensed as TUI ProfitCenters and grant the group offerings a special place in their sales offering. Originally the company sought an exclusive distribution connection between travel agencies and package tours of TUI operators. The travel agencies were to be required to sell package tours of the most important German competitors. The dispute between TUI, travel agencies, the Federal Cartel Authority and the courts lasted six years and ended in 1994/95 with TUI "voluntarily" lifting its exclusive representation requirement.

However powerful TUI may appear as a European tour operator it is itself only one strategic component of a group that has a firm grip on other aspects of the tourist trade. In 1993 the major bank WestLB succeeded in getting into the group by the backdoor, via subsidiaries and holdings. WestLB wanted to establish and control the biggest tourism conglomerate in Europe, based on two pillars: TUI with all its European subsidiaries and LTU International Airways GmbH & Co. KG. LTU, a 34 percent subsidiary of WestLB would have contributed not only a powerful aircraft fleet to this mammoth merger but also other subsidiaries in the form of leading operators Thomas Cook, Tjaereborg, Jahn Reisen and Meiers Weltreisen. But WestLB exerts major influence on the European tourist business via its 25 percent interest in TUI and LTU, but it is not the only shark in the sea. Other German banks are also associated with Hapag-Lloyd and department stores via minority interests.

Table 1: Leading German Tour Operators: Turnovers 1997/98		
Firm	Market share [%]	Turnover [Mill. DM]
TUI Germany	26.41	6,560.00
C & N Touristic	22.26	5,528.60
NUR Germany	17.05	4,234.30
LTU Touristic (LTT)	11.63	2,887.70
DER Tour	6.30	1,565.00
FTI	5.28	1,310.90
ITS	5.08	1,261.70
Alltours	4.67	1,160.00
Öger Group	3.69	916.60
Kreutzer Touristic	2.80	696.00

Source: FVW 28/98

by foreign companies via capital interests, joint ventures or co-operation agreements. They have their own transport facilities and distribution channels. Direct contacts with customers in the tourist sending countries give them a stronger competitive position from the outset, as they are familiar with their customers' needs and can even initiate broad trends. On the other hand, smaller providers adapt flexibly to the special regional conditions and are not subject to the constraints of a standardised service range.

The competitive position taken by individual companies from these two groups can be identified only for a specific country or region. The only generalisation possible here is that the tourist inflow from individual sending countries is focussed on certain destinations and that certain foreign providers probably dominate these markets. For example, the Dominican Republic was the most important Caribbean destination for German tour operators in 1994. About 57 percent of all overnight capacity was in the hands of foreign (not only German) companies, through ownership or co-operation agreements (Vorlaufer 1996, 25.87). United States citizens preferred Puerto Rico: two million, i.e. over two thirds of all incoming tourists, came from the US (WTO-OMT 1995).

The importance of international hotel chains is easier to define, as they mainly operate under standard international names. Madeley concludes that "...hotels have probably the biggest impact on developing countries. The overwhelming majority of the largest hotels world wide are owned, operated or managed by, or affiliated with transnational corporations (TNCs). Such hotels account for a considerably higher percentage of the total number of rooms in developing countries than in developed countries. In developing countries with tourism potential, hotel chains are particularly prevalent" (Madeley 1995, 9.11).

Various points here require elaboration:

- Firstly, the number of hotels belonging to a chain in the sending country may be very high, or the branches broadly scattered world wide. For example, over 80 percent of all

Supposedly self-employed tour operators turn out to be 100 percent subsidiaries of larger tour operators; the influential holdings themselves are not at all visible on the consumer markets.

Oligopolistic practices in sales and booking of travel services link travel agencies and on-site service suppliers with the tour operators (cf. Box 1: the TUI case). Their investments and interest in hotels ensure the necessary quota of beds. "If you have the beds you have the customers" (Scherer 1995, 83). This is due to the decline in importance of package tours and the rise of individual holiday offerings.

The destinations present a similar picture. Here there are many small companies with regionalised service offerings (boat trips, trekking tours, lodges, guided tours, roundtrips, etc.) as well as the large, high-capital national tour operators and travel agencies. The latter are frequently associated with or entirely owned

Holiday Inn hotels are found in the United States. By contrast, the 262 Club Med centres are scattered over all five continents. In both cases the number of company-owned rooms says little about their market position.

- Secondly, co-operation between "smaller" (inter)national chains or individual hotels can also lead to a prominent position in the hotel trade. As shown by the 1991 joint venture between the Indian Oberoi chain and the French Accor group, some chains based in developing countries also operate transnationally (Box 2: Key Players in India's Domestic Hotel Industry – being about to globalise). Oberoi and Accor agreed to set up the Novotel chain in India, which runs 50 hotels in other developing countries.

Box 2: Key Players in India's Domestic Hotel Industry – being about to globalise

The *Indian Hotels*, part of the *Tata Group* operates 41 hotels and resorts in India as well as 14 abroad. It owns 14 hotels and has a minority stake in 20 others. Most of these hotels operate under the *Taj* banner. *Indian Hotels* has a major presence in New Delhi and Mumbai, where it operates three hotels in each of the two cities. The company has a major presence in the flight catering business which contributes more than 10 percent to the total turnover. The company proposes to build 19 hotels in the next five years. *Indian Hotels* is the only company to add capacity during 1995, when 110-room Taj Mahal, Lucknow began operations. Operating the largest hotel chain across the country has enabled the company to diversify risks. While hotels in New Delhi and Mumbai cater primarily to the business travellers, the others are centred on tourists. Being a leader in the segment, *Indian Hotels* is the major beneficiary of the fortunes in the industry.

EIH (formerly known as *East India Hotels*): Apart from *Indian Hotels*, it is *EIH* which is playing high in the stock market. *EIH* operates in Mumbai, and in New Delhi where the Oberoi and Oberoi Maidens account for 80 percent of the company's total revenues. The company also operates nine hotels in the country under the Oberoi, Trident and Novotel banners. The company has a steady foreign exchange revenue of 60 percent of its total revenues.

Asian Hotels: The company operates the 500 - room *Hyatt Regency* in New Delhi. The hotel has a high occupancy rate and also has one of the highest operating profit margins in the industry. The focus is on the business segment. The company has planned to expand with projects coming up in Agra, Mumbai, Calcutta and Jaipur.

Hotel Leelaventure: The company operates the *Leela Kempinski* in Mumbai and the *Leela Beach* in Goa. The hotel is co-operating with *Kempinski group Switzerland*, which is part of the *Lufthansa Group*. Its foreign exchange earnings constitute more than 70 percent. The Goa resort has been voted the fifth best in the world. Additionally, the company is planning an all-suite hotel in Goa along with *Four Seasons Group*, Canada.

Oriental Hotels operates the *Taj coromandel* (Chennai), the *Taj Residency* (Visakapatnam), the *Taj Malabar* (Kochi) and *Fishermans' Cove* (near Chennai). In addition, the company is investing abroad.

However, in many sending and receiving countries there are a broad range of small and medium-sized tourist service suppliers that have to succeed in their respective market segments. In Germany the market share of the five major tour operators (TUI, NUR, DER, IST, LTT group) has been under 40 percent since 1987, and that of the small ones⁵ has on average been over 40 percent (Kirstges 1996, 357).

⁵ For a definition of the individual provider segments see Kirstges 1996, 70f.

- Thirdly, through co-operation or sales agreements with many small hoteliers tour operators can exercise a much stronger market power.
- Lastly, given the extremely heterogeneous spectrum of developing countries, the share of foreign hotel chains in total room capacity varies considerably. In the cases of Kenya and Sri Lanka, for example, it is estimated at 5-15 percent. In countries like Eritrea, which are now beginning to set up a tourist infrastructure (taz 29/30.12.96) this share could well be much higher.

Basically, there are four typical structural features characterising the hotel trade in developing countries (Vorlaufer 1996, 93ff.). In many countries, large up-market hotel groups dominate the tourism scene. Many hotels belong to transnational and national chains, via equity participation, franchising accords, joint ventures or management agreements. In many countries, state-owned companies continue to play an important role. Small and medium-sized hotels run by local proprietors are, however, increasing in importance.

Table 2: Leading TUI Partners 1996

Firm	TUI-equity share [%]
Airtours International	100
Events	100
Take off Flugtouristik GmbH	100
TUI Nederland	91
Wolters Reisen GmbH	100
TUI Austria	100
Dorhotel	100
Dr. Degener Reisen GmbH	100
TUI Service	85
TUI InfoTec	100
TUI ReiseCenter	67
L'TUR	51
Robinson Club	100

www.tui.com

1.3 TOURISM AND DEVELOPMENT - FACTS, MYTHS AND CONTRADICTIONS

In 1998, international tourism receipts world wide amounted to US\$ 445 billion (WTO-OMT). Developing countries accounted for about a quarter of this sum. According to estimates by the World Tourism Organisation, in the year 2010 over a billion people will be travelling per year and spending US\$ 1.5 trillion. In the last 20 years, there has been a clear shift in the market share of destinations. While the share of arrivals in European destinations continued to drop (from 68.2 percent in 1970 to 59.6 percent in 1998), East Asian and Pacific tourist areas clearly became more attractive, with their share in arrivals rising from 3.2 percent in 1970 to 13.9 percent in 1998 (despite a 1.2 percent decline in 1997 and 1998, due to the financial crisis in the East Asian/Pacific region).

This being the case, it is understandable that individual developing countries, national and multilateral development agencies and tourism planners hope for considerable growth impetus from the establishment and expansion of the tourism sector. Whether these expectations, centred around the hope that tourism will generate a significant share of the national income, will be fulfilled, depends above all on the range of services which are actually being supplied locally, under the guidance and to the benefit of the destination countries. Against this background, the following expectations have to be reviewed:

- (1) Tourism is to make a significant contribution to domestic value added. Given the close relationship between tourism and other industries - food, building and transportation - tourism-induced growth can stimulate other sectors.
- (2) By promoting a high level of attractiveness of the destinations international tourism is to be intensified and thereby foreign exchange earnings are expected to increase.
- (3) It is also hoped that tourism will create additional employment and that the skill level of local staff will be improved through technology transfer between domestic and foreign companies.
- (4) Furthermore, tourism is expected to be a pull factor to building and expanding the local infrastructure to the benefit of communities.
- (5) Regional customs and traditions are considered crucial factors when it comes to realising tourism projects. Investors therefore like to point out that the planned projects could contribute to the preservation of regional cultural goods. On the other hand, following ideas of modernisation theory, there are hopes that the expansion of this sector can foster social change in the societies concerned and break down traditional social structures that are felt to be obstacles to development.
- (6) There are also relatively recent but very popular hopes that nature-oriented tourist activities can make a monetary or non-material contribution to the protection of nature and the environment.

The extent to which these goals can be actually achieved depends on the conditions in the individual countries, the kinds of tourism infrastructure and also on reciprocal developments in the industry. Past experience gives cause for scepticism.

VALUE-ADDING EFFECTS OF TOURISM

Although all sub-sectors in the field of services are linked to the tourism industry, only a small part of their production value can actually be expected to stay within developing countries. In fact, a high percentage of the tourist expenditure is not leaving the tourists' countries of origin in the first place. Long-haul air transport is mostly run by carriers based in the North. Furthermore, in core areas of the tourism industry, i.e. hotels, catering, travel agencies, tour operators and tourist guide services, as well as in the fields of on-site support services (sports and recreation, facility leasing) "benefits" flow to a large extent into the same direction. This is due to the fact that many services in the destinations are being supplied by companies from the tourists' countries of origin or by their local partners.

The expected growth stimulus of upstream and downstream production areas have long determined the development discussion. In the case of the tourist industry, there are particular connections with other economic sectors. The food, building and entertainment sectors can benefit from the expansion of tourism, as can transport companies. These linkages, however, only benefit the local economy if local products and services contribute significantly to the value added. In the case of certain forms of tourism for which there is currently a growing demand, such as all-inclusive tourism ("A package deal – and low-cost!"), club holidays or cruises, this hardly happens. These orchestrated holiday worlds are generally largely isolated islands of affluence, supplied by the tour operators with products and services from their countries of origin. Even souvenirs are being imported.

During the development of growth potential, with the transition from a growth to a consolidation phase, individual upstream and downstream sectors gain in importance, while the share of value added in others tends to decline. Experience shows that the building industry, in particular, is among these "losers" unless, in the growth phase, there are continuous growth

stimuli from other sectors that entail broad, stable diversification. The interrelation between tourism and agriculture can also be an area of conflict in some countries, depending on the conditions of agri-ecological production and the customary diet of local and tourist residents.

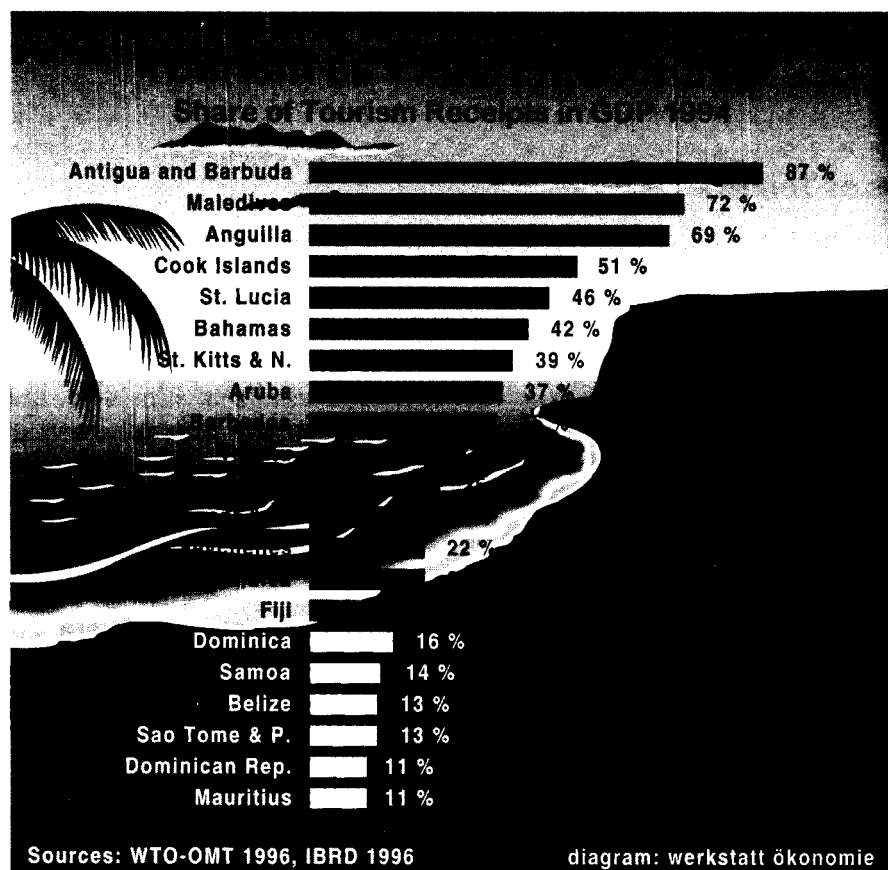
While in the 1970s Kenya succeeded in producing all foodstuffs required in the tourism sector (Vorlaufer 1996, 163ff), other developing countries experienced a recession of agricultural production as a consequence of growing tourist industries (German Federal Ministry for Economic Co-operation and Development 1993, 32). Competition for production areas increases where necessary resources such as water and energy are scarce (cf. 1.3.6) or where there is no overlap in the food requirements of locals and tourists.

The GDP of individual Caribbean states mainly depends on tourism (see diagram 1). And even if - as in the case of Haiti - income simply amounts to three percent of GDP, it can amount to 72 percent of the value of net exports.

The high dependence on tourism income involves risks. Countries in which tourism contributes significantly to the GDP are particularly affected by global economic trends and cyclical variations. The financial crisis has in 1998 led to a decline in tourism receipts of 3.8 percent over the previous year in the East Asia/Pacific region (WTO-OMT).

The negative trend is above all due to a drastic decrease in tourism within the Asian region by about 10 percent which particularly affected individual countries such as Singapore, New Zealand and Hong Kong. The Asian crisis also affected tourism from Asia to other parts of the world, so that WTO-OMT corrected their global growth forecasts to the year 2001.

Diagram 1: Tourism as an Export Mono-crop



Furthermore, many countries with similar locational conditions compete with one another in the world market.

Internal political tensions, natural disasters or economic fluctuations generally lead to a diversion of tourist flows to countries with comparable supply. A temporal

downturn, as in the case of the Indian state of Kashmir where tourism broke down due to political conflicts, can lead to a regional or even national economic crisis.

Looking at India as a whole, international tourism is still concentrated in a few regions, but about to take over several coastal areas, sacred sites and national parks. Especially the states of Bihar, Madhya Pradesh, Punjab and Kerala have seen an increase in the number of

visitors. With under 0.4 percent of the world's tourist arrivals and one percent of tourist spending, the country has barely tapped its so-called 'rich tourism potential'. India attracted about 2.1 million foreigners in 1995, only 500,000 of which can be considered genuine tourists. According to Pradeep Madhavji, Chairman of Thomas Cook, (TOI .22 Aug. 96), the major part of international arrivals consists of businessmen and airline crew. Domestic tourism (which includes traditional forms like pilgrimage journeys as well as leisure tourism following western patterns) swelled from nearly 60 million in 1992 to over 100 million tourists in 1995. With an expected 110 million travellers, Indian domestic tourism is becoming an important market for tourism services.

FOREIGN EXCHANGE EFFECTS

Almost all developing countries have a positive balance in terms of net foreign exchange earnings from the tourism sector⁶. According to the Approach Paper to the Ninth Five Year Plan (1997-2002), prepared by the Planning Commission of the Indian Government, "Tourism is presently the third largest foreign exchange earning sector in India." Travel account balance in South Asia has in 1997 been 1,828 million US\$ in surplus. All developing regions experienced steadily widening travel surplus in the past decade. In 1997 their total travel surplus was US\$ 62.2 billion (WTO-OMT).

This balance, however, gives little information about the actual foreign exchange effects. It only covers payments resulting from the consumption of the travellers at the end of the tourist service chain.

Tourism was long regarded as an easily exploitable source of foreign exchange for developing economies. Increasingly it is being realised now that "...tourism is not the dream dollar cow that is easy to milk" (Khin Maung Kyi, Oase oder Fata Morgana? Frankfurter Rundschau 7.3.96). Indisputably the gross foreign exchange earnings in developing countries exceed foreign exchange income from the export of agricultural and industrial goods. However, gross foreign exchange figures give a one-sided picture, since most probably there are also foreign exchange leakages due to profit transfers, tourism-related imports (luxury goods, vehicles, advances etc.), payment of foreign experts or interest payments for foreign direct investments in tourist infrastructure.

In order to properly assess the effects of tourist foreign exchange one would need to consider those foreign exchange receipts and expenditures that were transacted in the course of the import and export of goods that, in their turn, flow indirectly or indirectly into the value added by tourism. Besides the broad range of tourism-related services (diagram 4, p. 30) there is the advance provision of e.g. building materials, foodstuffs, equipment and energy which are essential to maintain the tourism infrastructure of a country.

Whether a country can obtain net foreign exchange earnings from tourism depends primarily on the development phase of tourism, on its nature and on the level of development of the respective economy (Leffler 1992). The high capital intensity of this industry - e.g. of hotel and sporting facilities and the necessary infrastructure - plus unfavourable tourist consumption patterns, particularly regarding food, can lead to considerable foreign exchange leakages.

⁶ The balance for each country is the difference between international tourism receipts and expenditure. International tourism receipts (expenditure) cover expenditure of international inbound (outbound) visitors including their payments to national (foreign) carriers of international transport. International fare receipts (expenditure) are recorded separately. They cover all payments of sums owed by non-resident visitors (persons resident in the compiling country) made to carriers registered in the compiling country (UN/WTO-OMT 1994, 22).

The rate of foreign exchange leakage is hard to determine empirically - i.e. the share of foreign exchange receipts flowing abroad to finance advance payments. For this, it would be necessary to carefully compile and classify all foreign exchange transactions, and also all input-output relations at all production levels of the tourism industry in the system of national accounts. Most developing countries lack the administrative resources to do this. In addition, a detailed accounting system covering all types of tourist services is still being developed. It will take a while to implement the scheduled Standard International Classification System of Tourism Activities (SICTA) in many countries. Without such a system it is very hard to come up with consistent statements about the effects of tourism-induced foreign exchange in a given country. Much numerical information about supposedly positive or negative net foreign exchange effects in developing countries is based on thoroughly unreliable empirical methods.

In general it can be said that the lower the tourism-induced import requirement of goods, services and real, fixed and human capital in a country and the greater the local share in production, the lower will be the foreign exchange leakages.

TRANSFER OF TECHNOLOGY - A BLACK BOX

Given the fact that tourism is so closely linked with other industries, there are possibilities that liberalisation of the tourism sector may intensify the transfer of technology and know-how. Yet there is hardly evidence of the extent to which tourism has so far actually contributed to this kind of transfer between industrialised and developing countries.

Tourism is one of the most information-intensive sectors (Poon 1993, 156). Information technology (IT) is used in the production, management, distribution, sales and delivery of the individual service components. It is not only important in linking the different service providers, but also contributes at all levels of the service chain to a higher use of tourist facilities and a greater degree of customer loyalty. The latter can be a critical barrier to market entry for small and medium-size providers if they do not participate in such an information network. The combined booking and handling of airline tickets, accommodations, local means of transport, excursions and guided tours, plus payment for them, can give an edge to providers belonging to highly integrated travel conglomerates. Insiders assume that it is common practice for a CRS to give preference to its own airlines, for example, or for restrictive commissions to be included in contracts with travel agencies (Poon 1993, 189f.) This is disturbing since the twelve leading systems are in the hands of very few airlines, almost all of which are based in industrialised countries and newly industrialised economies (NIEs). In addition, these systems are being increasingly extended to further upstream, downstream, and diagonally complementary service areas. Leonardo Costanzo, general manager of Amadeus, sets out the goal of this development. He attaches great importance to Amadeus not being a CRS but a global distribution system (GDS) - global in the sense that "...it attempts to group all CRS data in one large container and, by definition, a GDS is present throughout the world and not only in one country" (Costanzo 1995, 91).

Another new medium is beginning to conquer the travel market: The internet and online services are appearing as marketing instruments between customers and providers, covering all players and destinations. Even if they cannot yet compete with catalogues as the established medium (Mayer 1996), they are a promising platform for providers who depend on direct marketing, due to their smaller capacities. For the providers in many developing countries, in which the share of individual tourists is relatively high, such online services plus the World Wide Web (www) constitute useful additions to the usual marketing channels, provided that the technical infrastructure is available.

Box 3: Tourism Policy – the Role of India's Government

India's first Prime Minister Jawaharlal Nehru who was very keen on promoting tourism, once gave a message to the people of India - "Welcome a Tourist - and send back a friend." Actually, the history of promoting India's tourism reaches back beyond the foundation of the state itself. In 1945 a Tourism Committee under the chairmanship of Sir John Sargent, Educational Adviser to the Government of India, was formed for the first time. The committee was to survey the potential for development of tourism in India.

The report stated that tourism would be to the interests of India and it recommended that a separate organisation for promotion and development of tourism was needed. A Tourist Traffic Branch was set up in 1949 and was elevated to the status of Department of Tourism in 1958. Four Regional Tourist Offices in Bombay, Delhi, Madras and Calcutta and two overseas tourist offices in London and New York were also started.

During 1963, another Committee under the Chairmanship of L.K. Jha was formed to study the prospects of tourism in India. The Committee recommended that a separate ministry looks after tourism and civil aviation. It also recommended that there was a need for a Tourism Development Corporation directly under the charge of the central Government which was established in 1966. During 1967 a separate Ministry of Tourism and Civil Aviation under the charge of a cabinet minister was created.

The National Committee on Tourism (NCT) was founded in 1986. The most significant recommendations of the NCT related to (i) development of Infrastructure; (ii) provision of incentives; and (iii) development of human resources.

Tourism now has been given status of an 'export industry.' Along the same lines, the Department of Tourism has been following a two-pronged strategy of strengthening the economic infrastructure at home and improving the tourist image abroad:

- In his Union Budget '97-98 speech, the Minister of Finance proposed to give a 50 per cent tax reduction on profits for ten assessment years with respect to new hotels set up in hilly or a rural areas, places of pilgrimage or of tourist importance. Additionally, these hotels will also be exempted from the levy of expenditure tax. Furthermore, he proposed to reduce the import duty on specified equipment required for hotels from 50 percent to 25 percent.
- The tourism development board is promoting India in the world market. The Indian Tourism Development corporation is focusing on 32 countries as key countries of origin including ten European countries, four African nations, the Commonwealth of Independent States (CIS) and Gulf countries. The primary tourist generating markets of India are west Europe and North America. These two regions taken together accounted for more than 51 percent of the total arrivals during 1994.

The Department of Tourism cleared as many as 2,964 foreign investment proposals, for a total of Rs.30,000 crore, from August 1991 to February 1995. Though the investments in Indian Trade and industries have increased from \$ 150 million in 1991-92 to \$ 5 billion in 1994-95. According to the Department of Tourism the priority investment areas continue to be a wall writing - air seat capacity, international airports, domestic air seat capacity, tourist centres, hotel rooms and highways. Therefore, the Government of India set up a Tourism and Finance Corporation in 1989 to develop tourism related services.

The tourism sector offers considerable potential for technology transfer. This particularly applies to sales, marketing and distribution in the fields of hotel and transport management and to their respective relevant instruments (CRS, online marketing, etc.). Since the

development costs of systems are high - estimated at US\$ 400-490 million for Galileo and Amadeus - and since using them requires a reliable technological infrastructure and high-level training, the gap between tourism providers in industrialised and developing countries is probably greatest at this point.

As long as there is no institutionalised framework for measures to ensure technology transfer on a different basis than the purely commercial one, the existing dichotomy between a broad less qualified class of (non-)employees working in tourism related industries on the one hand and a few well-paid externally educated staff members on the other hand will be perpetuated.

Transnational companies could serve as a bridgehead in developing the necessary human capital and implementing such a framework. They could use their infrastructure with its branches, co-operation agreements and joint ventures. However, this would require a trade law framework, taking account of the special interests and weaker market position of developing countries in terms of technology.

However, for many developing countries the question also is which technologies will actually benefit tourism and other sectors. There is a danger of complex technologies developing a suction effect, assimilating their environment and leading the countries into a new dependence on costly technology transfer from the North. This fear is substantiated by the development of the airport operation market. Amsterdam Airport Schiphol, for example, wants to capitalise its know-how and expertise gained in airport operation and is already active through joint-ventures and strategic alliances with airport operators in Netherlands Antilles, Indonesia and China. As long as the appropriateness of such technologies is not being questioned, a repeat performance of the mistakes made in development co-operation back in the 1970s becomes likely.

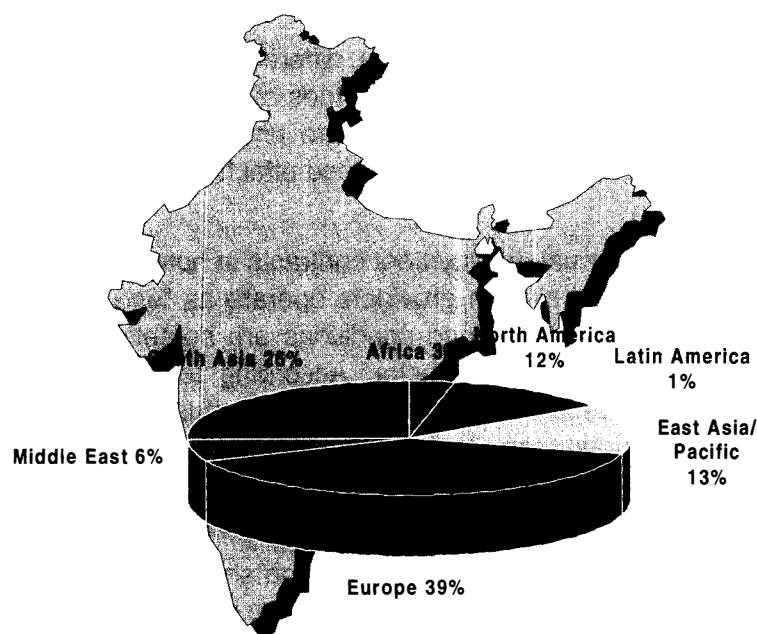
INFRASTRUCTURE DEVELOPMENT

At first sight, tourism in India seems to be strengthened through the presence of McDonalds, Pepsi, and Coca-Cola – brand names that have become synonymous with a high level of tourism development. Leisure and entertainment groups such as 'Thank God It's Friday' and 'Warner International' will soon take up operations in India. Golf courses, ski resorts and amusement parks are being set up, revived or modernised in the country.

The hopes that tourism becomes a catalyst for the development of infrastructure in so-called peripheral areas and helps reduce regional disparities are closely related to those concerning sound technology transfer. They include the use of all kinds of information technology, transport capacity, water and energy supply systems and waste treatment. The dilemma is evident: What might be useful for a just-in-time tourist transport (highways, oversized high-end airports) may be far from needs of local communities who may want to participate in the benefits of tourism.

As Indian experiences are showing, tourism oriented infrastructure development tends to increase the gap between the "haves" and the "have nots". The shacks, owners of smaller restaurants and accommodation facilities, originally started with tourism services at Goa. But now the organised tourism industry disengages them from the sites. The taxi drivers in Kovalam/Kerala were displaced by the organised sector of the operators. In areas marked for tourism development in the southern state of Tamil Nadu, it has become obvious that the Land Acquisition Act is widely used to appropriate land from the poor and marginalised farmers in the name of dubious "public interest".

Diagram 2: India's Share of Visitors from Abroad 1994



Source: WTO-OMC 1996

diagram: werkstatt oekonomie

The land thus forcefully taken away from local people at a pittance and sometimes without any compensation is handed over to hotel chains and other tourism service suppliers at a throwaway price.

To cite the Approach Paper of the Indian Planning Commission again, "the State will have to focus on development of basic infrastructure such as transport facilities and amenities, and to play a facilitating role in the provision of accommodation and other facilities for all classes of tourists, both domestic and international." But obviously, lopsided priorities exist in the promotion of domestic and international tourism.

On the one hand, the New Delhi – Jaipur road is being converted into a four lane highway and expected to become India's first tourism highway with a string of hotels, motels, country clubs, amusement parks and golf courses along the road. On the other hand, following a recent judgement of the Chandigarh High Court, the Punjab Urban Planning and Development Authority has ordered the removal of all "illegal structures and encroachments on the side of scheduled roads in the state". This euphemistic formulation is aiming at local eating places in between the informal economy which offers food and shelter and caters to those who travel at low cost, e.g. pilgrims.

SPHERES OF WORK, SPHERES OF PAIN

There is little doubt that the tourism industry has positive effects on employment, reducing unemployment in the destinations. Employment effects occur not only in the tourist industry but also in other sectors closely linked to tourism. Studies show that a direct employment effect (hotel, transport, travel agencies) can be generally assumed in a ratio of 0.8 to 1.5 jobs per hotel bed. The coefficient of indirect employment (other goods and services) is 1:2.75, significantly higher than that of investment-related employment (building industry) (Leffler 1992, 10f.).

Of course, employment coefficients say nothing about the types of jobs and the working conditions. Unskilled, insecure and poorly paid jobs are typical. In a study, the International Labour Office (ILO) concluded that "...in many parts of the world, the remuneration of employees in hotels and restaurants seems to be at the lower end of the salary spectrum" (ILO 1990, quoted by Madeley 1996, 18). In many developing countries (i.e. Kenya, Mauritius, Seychelles, Caribbean countries, Thailand) and individual regions, it may have really been possible to compensate for seasonal fluctuations in employment (ibid.). In other

regions, climatic conditions in the different seasons lead to jobs in tourism clearly being restricted to certain seasonal periods (Vorlaufer 1996, 30ff; BMZ 1993, 31f.). In some countries at least, employment in core segments of tourism is subject to considerable seasonal fluctuation.

Looking only at developing countries, one might neglect the differences in employment effects in the tourism industry as compared to the northern countries of origin. It is quite remarkable that several studies have been undertaken to measure employment effects in tourist destinations; but up to now evidence is lacking whether these effects are similar in the North and in the South.

It must also be considered that besides the formal employment contracts in hotel complexes, transport and travel agencies, a wide range of service providers operate as "one man/one woman companies" in the informal sector. Their working conditions are sometimes much worse than those of their counterparts in the formal sector. According to estimates, in individual countries up to 50 percent of the people employed in tourism actually work in the informal sector (Vorlaufer 1996, 123). Experience from India shows that women, in particular, but also minors are forced to seek small business activities in the informal tourist industry, due to the lack of formal employment opportunities (Stock 1996; Black 1995).

Even if accurate data has been lacking so far, the ILO assumes a high share of child labour in hotel and catering (Black 1995). World wide there are estimated to be between 13 and 19 million minors working as shoe-cleaners, flower-sellers, baggage-carriers, room clerks, kitchen workers or small vendors in the tourism industry - not counting the tourism-related activities of children in the informal sector (Plüss 1996).

Going beyond the considerations of job creation in the formal and informal sector, one has to look at the even more serious boom of the sex industry and bonded labour, particularly with regard to child prostitution, which is also growing due to increased tourism. As recent studies have shown, 15 percent of the prostitutes in India are under the age of 15, and 24,5 percent between the ages of 16 and 18. As the case of the dhaba boys illustrates, there is a close connection between poverty in rural areas, the breakdown of family relations there, migration to the cities and child labour in tourism. Juvenile males, aged between eight and twelve, who are recruited from rural areas, are working in cheap hotels and restaurants. As an ILO report states, some are "... employed in condition of great deprivation equivalent to bondage." Employment of children is not limited to low standard accommodations. On the contrary, most of it takes place in hotels of the grade II and III category, or in ungraded establishments.

The ILO report makes it clear that there is a close connection between material hardship - particularly poverty in rural areas - the breakdown of family relations, migration to the cities, child labour in tourism and child prostitution. There is also an undefined area of partly forced, partly "voluntary" occasional prostitution by young hotel employees.

In the urban areas of the North, different forms of sexual exploitation of children and young people are equally widespread. In New York there are said to be about 30,000 child prostitutes, in Paris 10,000 to 15,000 (Le Monde Diplomatique, 16.8.96).

TOURISM AND CULTURE - AN AMBIGUOUS RELATIONSHIP

In the tourism discussion there is no subject more controversial than the effects of tourism on the social structure, value system and cultural identity of the host population. While some argue that - despite the admitted increase of (child) prostitution - the socio-cultural effects of tourism are slight (Leffler 1992, 11). Others note "...that the negative impact of tourism outweighs the positive in the non-economic field" (BMZ 1993, 34). Both positions can appeal to

a host of sociological case studies. They share the dilemma that in this context there is not one type of tourism in developing countries.

The discussion of socio-cultural impacts concentrates on the following causes and effects (BMZ 1993; Madeley 1996; Vorlaufer 1996; Scherer 1995):

- Tourism contributes to social change and triggers acculturation effects.
- As tourists encounter local residents, there can be a "demonstration" effect; certain patterns of consumption are felt to be attractive by one group and consciously or unconsciously imitated.
- Social and vertical mobility can be triggered or accelerated by tourism.
- Tourism development can change the gender-specific behaviour of men and women in the destination regions.
- Tourism influences esteem for material goods and non-material cultural commodities.

All these connections can be illustrated by totally contradictory experiences. It seems plausible that in one and the same connection the assessment of socio-cultural effects can change as time passes. Ultimately, it will need to be analysed which of the dimensions listed plays a role at the level of communities, regions and countries. Planners of tourism projects should take due account of the (possibly opposing) expectations of the people living in the destinations, and pay attention to their opinion about socio-cultural impacts.

In the case of India, some negative impacts are quite obvious. At most of the Indian sacred sites, leisure tourism has become a serious threat to traditional pilgrimages. People's own festivals and rituals now have been taken over and managed by tourism promotion. As the cases of the Brahadeeswarar Temple of Raja Raja Chola and traditional elephant marches (Gajamela) show, the intrinsic value of cultural symbols for the community is overlooked and denigrated to the level of showpieces. First declared as World Heritage Monument by UNESCO, Tamil Nadu tourism planners decided to install a sound and light show at the temple. In places like Thrissur, local people who originally celebrated Gajamela on their own are now forced to pay in order to catch a glimpse of their own feast, as the elephant march is held for a few foreign tourists exclusively in the Municipality Stadium. The shift from ritual arts to modern theatricality does not allow people to participate in their own cultural celebrations anymore.

ECOLOGICAL MIRAGES?

Nature tourism denotes a special segment of demand characterised by nature-related activities carried out in attractive natural surroundings - preferably in nature reserves. Beautiful scenery has been a popular reason for travel since the first reports on pleasure trips by the Roman philosopher Seneca (died 65 A.D.). Nature as a location factor has directed the paths of travellers over the centuries. In the age of mass tourism the tourism industry itself threatens the very production factor on which it is especially dependent.

Tourist centres and the high number of travellers threaten fragile ecosystems. In developing countries, scarce resources such as water or energy are often overused in tourist centres and usually no suitable systems of waste management exist. Natural areas are developed, used intensively for tourism and, finally, "worn out." All this is not new. It has been an issue in the critical tourism debate since the 1970s and has also contributed to tourism promotion disappearing from the agenda of development co-operation in many countries in the North. What is relatively new, however, is that the players in the tourism industry have discovered the topic of environmental protection and "ecotourism as an instrument of nature protection" - to quote the title of a research report of the German Federal Ministry for Economic Co-

operation and Development (Ecotourism Working Group 1995). Tourism is sneaking in again through the back door of development co-operation.

Box 4: Tourism and Protection of Biological Diversity in India

In India, the protected area network has increased more than five times in the last two decades. In 1970 there were 10 national parks and 127 sanctuaries in an area of 25,000 km². In 1993 the protected area network increased to 1,320,000 km². India has 500 protected areas including natural parks and sanctuaries, a lot of them being intensively used by tourism: Safaris are offered in the state of Rajasthan, hang gliders in the state of Himachal Pradesh, mountaineering in the Himalayas, trekking in Garwal and Kumaon, river rafting in the Alakhananda, scuba diving in Lakhshwadeep, skiing in Gulmarg, heli-skiing in Kashmir, sailing and surfing in Srinagar and Goa.

The government plans to conserve biodiversity in seven protected areas with the help of the World Bank. It is known as the Eco-Development Project. The plan is to be implemented initially in seven protected areas. These are the Buxa Tiger Reserve in West Bengal, the Palamau Tiger Reserve in Bihar, the Pench Tiger Reserve in Madhya Pradesh, the Periyar Tiger Reserve in Kerala, the Ranthambore Tiger Reserve in Rajasthan, the Nagarhole National Park in Karnataka and the Gir National Park in Gujarat.

A case study about a hamlet was reported in Statesman. A tiny hamlet called Tabo is situated in the Spiti Valley in the state of Himachal Pradesh. It has a population of 410 people. People here live in a close community culture of ancient origins. They are a self-sufficient tribe, untouched by Western influences. A travel agent found out that a certain Buddhist monastery in the village would be completing 1000 years. Hordes of tourists descended on the place. It is not known whether the tourists were Buddhists or whether they were interested in Buddhism and its teachings. The 410 natives were found lost in a crowd of 25,000 tourists. The District administration failed miserably to provide even basic necessities like sanitation, drinking water and wood for fuel. The desolate landscape lost whatever little vegetative cover it had to the demands of the tourists, and signalled the end for the precious livestock of the semi-nomadic population. Foreigners clogged the toilets with toilet paper which eventually found its way to the Spiti river, a source of drinking water for several villages downstream.

The Tobo disaster is just one of a series of tourism ventures that have backfired. Western Nepal, parts of Himachal Pradesh, Jammu and Kashmir and Palamou - have witnessed similar atrocities jeopardising a delicately balanced environment and throwing it into complete disarray. Several remote areas become extremely popular with foreign tourists in search of narcotic plants which grow in abundance and their derivatives, exposing the vulnerable population to the dangers of addiction. There have also been instances where people failed to recognise the imbalancing effect on the inflated market economy causing upward pricing trends for commodities of daily necessity like food and fodder (Kishore Chauduri, Emerging Trends and Problems of Eco-tourism in Indian Context).

In other countries of the world, efforts have been undertaken to build up a database for nation-wide site management to regulate the flow of tourists in order to have a check on the fragility of the site. But in India it is imperative to have an advanced digital system to monitor the ecological consequences and environmental costs. Priorities should be given to implement new methods of measuring, evaluating and monitoring the changes in the state of our natural and environmental resources.

International environmental associations such as the World Wildlife Fund for Nature (WWF), the International Union for Conservation of Nature and Natural Resources (IUCN) and others are striving towards a cautious tourist use of nature protection areas in Africa, Asia and Latin America, to benefit local communities. To quote a definition of the Ecotourism Society (Ecotourism Working Group 1995, quoted in Gustedt 1996, 42;), ecotourism covers "... all forms of nature tourism that responsibly

- seek to minimise environmental effects and socio-cultural changes,
- contribute to financing protected areas, and
- create income opportunity for the local population".

Practical experiments in this direction testify to the difficulty of balancing ecological socio-political goals at the level of the individual protection project. Beyond the eco-label that tour operators attach to themselves, the implementation of socially, ecologically and economically sustainable forms of tourism has only just begun. While many catalogues of tour operators are full of references to ecologically and socially sustainable tourism, in Germany TUI is the only big operator so far to have employed a Director for Environment and become involved in the discussion. As part of its environmental management system, TUI organises environmental destination checks and the removal of inorganic waste (Liedtke 1996; Vorlauffer 1996, 210).

The bulk of (mass) tourism in developing countries, however, has so far remained untouched by these kinds of efforts and the over-use of ecosystems and their resources continues. Where there are conservation efforts in place for the sake of tourism, they are seldom to the benefit and often at the cost of the local people affected.

Nagarahole National Park, located between Kodagu and Mysore in the south of India, can serve as an example of the possible contradictions in ecotourism efforts. Having declared the area a national park in 1972, the government shifted the local communities of Adivasis away from their native places, as no human habitat is allowed to be situated inside the park⁷. Despite this regulation, the government built jungle lodges inside the park area to increase wildlife tourism and leased them out to the Taj Group of Hotels which announced an eco-friendly use of the resorts. The result is that communities who had cared for the forest for hundreds of years have been displaced to open the stage for tourism supposed to generate income in order to save a fragile ecosystem which is being threatened by the tourists' presence itself.

1.4 CONCLUSION

The extent of market concentration to which tourism is subject in the individual sending and receiving countries is concealed through the host of tour operators and on-site service suppliers. The expansion of (trans)national hotel chains is, of course, the visible sign of globalisation of tourism services. Yet the formation of oligopolistic structures is disturbing, particularly the mesh of interests between financial service suppliers, airlines, tour operators and travel agencies. The extent of the actual influence of these integrated or diversified groups in the individual service segments, and beyond, has only been seen hitherto on the basis of individual areas of conflict. There should be no question that the biggest Northern

⁷ The following restrictions are imposed on the communities: Cultivation and keeping livestock are not allowed anymore; hunting, digging borewells and renovating houses are all prohibited; a total ban has been ordered on the collection of minor forest produce like tubers, mushrooms and other wild vegetables and fruit which are staple foods; entry to their sacred sites and burial grounds has been restricted and a ban on their traditional music and dance forms set into force.

tour operators have a defining influence on the development of tourism in some destinations. What the consequences of such concentration will be is still an open question.

"Tourism is like a fire; you can use it to cook your soup, but it can also burn down your house" (Scherer 1995). Whether this is really an Asian proverb or only a platitude in the critical tourism discussion, it in any event summarises the outcome of this stocktaking. Whether tourism in developing countries really makes a substantial contribution to economic development through multiplier effects in other industries, whether it contributes to establishing a local provider structure, or generates noteworthy net foreign exchange earnings, will largely depend on the conditions in the respective countries and on the conditions in the international trade in services.

The partly concealed emergence of big tour operators may serve the dissemination and implementation of ecological objectives. Yet it restricts the economic radius of smaller service providers in the destinations. Transnational corporations could make a major contribution to technology transfer. Yet whether they actually will is by no means certain.

Some countries already operate a pronounced tourist monoculture. Their economies depend almost totally on the changeable tourism business. Even where this has not had serious consequences, the other side of the tourism coin is clearly visible. The working conditions in core service areas of the hotel and catering industry are unacceptable in many countries; the exploitation of children is increasing along with sexual abuse, an area where there are no exact statistics.

Hopes of positive ecological effects through tourism can be quickly scotched with reference to the unbeatably negative ecological record of air traffic. Given that there is a considerable and growing demand for long haul holiday trips, it is necessary to distinguish between positive and negative environmental effects in order to achieve gradual improvements - without taking a maximalist position. The increasing demand for natural tourist activities in a delightful country atmosphere can certainly contribute to the preservation of protected areas or the promotion of rural development. But whether it actually does, or whether other environmental consequences of the most diverse forms of ecotourism negate those positive effects again depends on the respective conditions. The ongoing enormous consumption of land and water for tourist estates gives room for scepticism.

It would be misleading to assume that all of these complex problems can be solved with the instruments of international trade policy alone. The instruments available in trade policy cannot replace a coherent national policy of tourism or a social and environmental policy. However, conditions can be created at this level, making it possible for tourism development to comply with the goal of sustainable development to which the treaties of the new world trade order are committed.

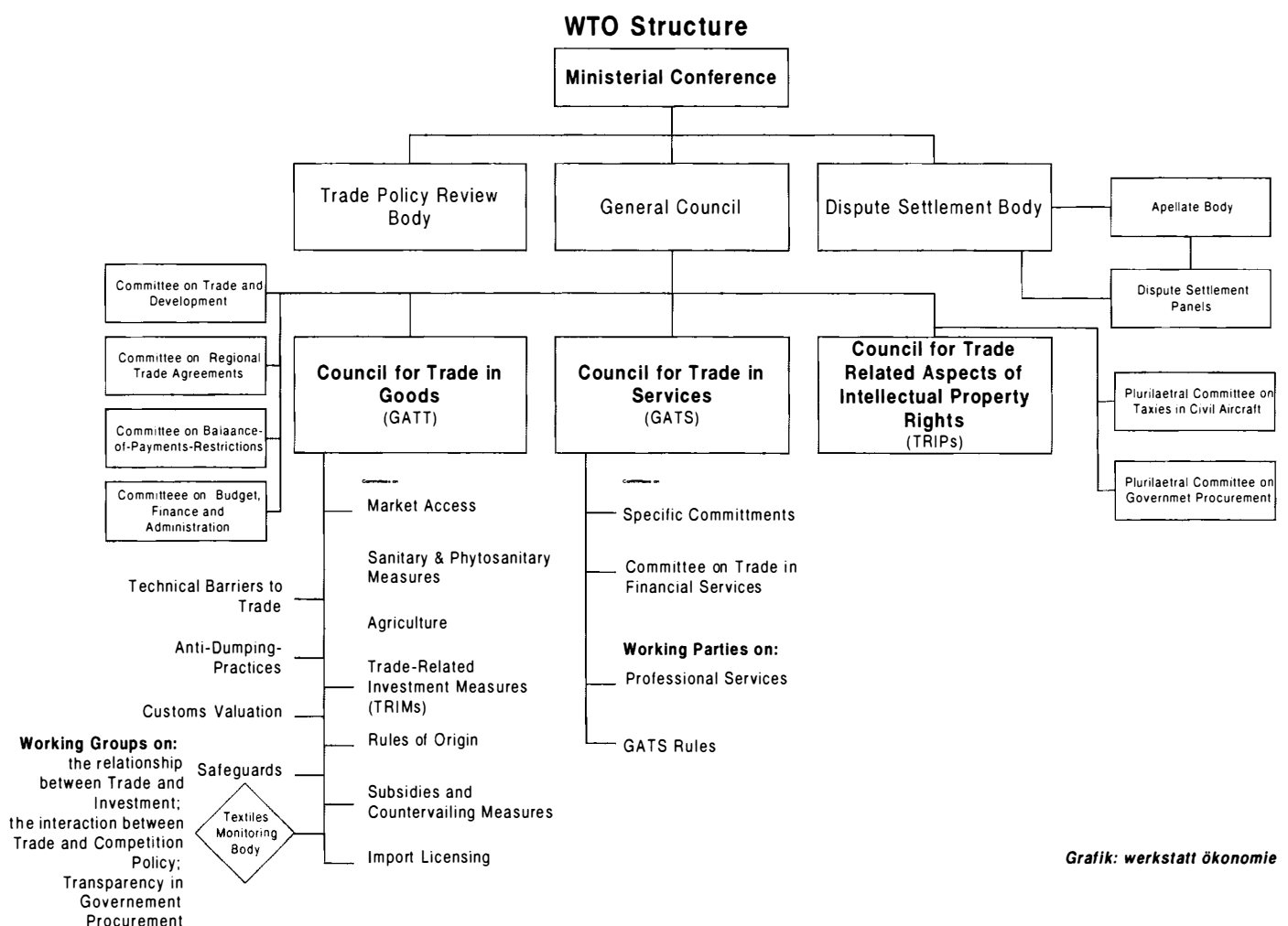
2. TOURISM IN DEVELOPING COUNTRIES UNDER THE REGIME OF GATS

2.1 THE INTEGRATION OF INTERNATIONAL TRADE IN SERVICES INTO A NEW WORLD TRADE ORDER

INTRODUCTION

In economics, trade in services was for a long time a neglected field. Classical economists regarded it as unproductive and still there are fewer statistics about trade in services than about trade in commodities. A leading German textbook on international trade and finance devotes as much as seven lines to trade in services (Siebert 1994, 86). This side-stepping of the service sector in economic theory is in contradiction with its outstanding importance for the growth of world trade. While in industrialised countries two thirds of GNP is produced in the service sector it 'only' accounts for a bare 30 percent of the international movement of goods, worth approx. US\$ 3680 billion (Windfuhr 1996). This difference indicates a considerable growth potential for international trade. It contributed to the industrialised countries putting "service trade" at the bottom of the agenda in the Uruguay Round. The USA insisted on including services as a condition for their remaining in GATT mainly because of the hope that a far-reaching liberalisation of the service trade would lead to considerable competitive advantages in this sector and ease the big trade balance deficit of the USA.

Diagram 3: The New World Trade Order



GATS is one of the three branches of the new world trade order under the aegis of the WTO-OMC. The original GATT has become part of the more comprehensive General Agreement on Tariffs and Trade 1994 (GATT 1994) which along with other agreements has become part of the Multilateral Agreements on Trade in Goods (MATG). These branches differ considerably in their functioning and responsibilities. While the dismantling of tariffs and non-tariff measures in the field of trade in goods is already advanced, no agreement was reached on a multilateral investment agreement (MIA). Investment-related arrangements are, however, included in GATS.

FUNCTIONING OF THE GATS SYSTEM

The functioning of GATS is based on the interplay of fundamental standards in commercial law, procedural regulations for their implementation and specific commitments in which member states document sector-specific limitations or concessions⁸.

PRINCIPLES OF FREE TRADE

The most favoured nation (MFN) treatment has been at the heart of all three branches of the new world trade order (GATT 1994 Art.1, GATS Art.11, TRIPs Art. IV). First applied in 1860 as a basis of the Anglo-French free trade agreement, the MFN clause pledges each member state, automatically and without distinction, to grant the parties to the treaty all benefits and favours that they grant other countries. MFN is both the motor and the conveyor belt of a progressive liberalisation process under the WTO-OMC, which member countries can no longer escape. MFN treatment does, however, allow certain exceptions (see below).

The second fundamental trade norm, national treatment, means that services and service suppliers from other member states must not be treated worse in the signatory state than national providers (GATS Art. XVII). Similar regulations apply for goods and intellectual property rights (GATT 1994 Art. III; TRIPs Art. III).

The commitment to improving market access (cf. Box 5, p. 27) by reducing trade barriers is closely related to the reciprocity principle which entered GATT via United States trade legislation in the 1930s. In the original version of the GATT treaty, the principle of political reciprocity demanded that the result of negotiations should be solely equivalent and balanced concessions, "without calling into question the level of protection of a country" (Senti 1994a, 53). In GATS, the contracting parties go one step further. With the demand for an "overall balance of rights and obligations" in the GATS Preamble (cf. Box 6, p. 28) they pursue a strategy of "aggressive reciprocity" (Senti 1994b, 7f) which is patterned on "super 301", Article 301 of the American Trade Acts. In the past, this led to arbitrary trade measures on the part of the United States (Sen 1994).

PROCEDURAL STANDARDS

GATS is intended to liberalise all internationally traded services, independently of how they are performed and where they are consumed (total coverage principle). The agreement therefore establishes four modes of supply. Out of these, the principles of liberalisation of market access and national treatment (WTO-OMC 1994, Vol. 28) are derived:

⁸ The GATS treaty and annexes are contained in Volume 28 of the Legal Instruments Embodying the Results of the Uruguay Round (WTO-OMC 1995). The specific commitments are in Volumes 28-30.32. They can also be consulted at the International Trade Law Monitor at the Law Faculty of the University of Tromsø (<http://ra.irv.uit.no/trade-law/itlp.html>).

- *cross-border-supply*: The possibility for non-resident services suppliers to supply services cross-border into the member's country: e.g. tour operation;
- *consumption abroad*: The freedom for the member's residents to purchase services in the territory of another member: e.g. international visitors;
- *commercial presence*: The opportunities for foreign service suppliers to establish, operate or expand a commercial presence in the member's territory, such as a branch, agency, or subsidiary in full ownership: e.g. international hotel chains;
- *presence of natural persons*: The possibilities offered to foreign individuals to enter and temporarily stay in the member's territory in order to supply a service: e.g. foreign tour guides or hotel managers.

BOX 5: PRINCIPLES OF LIBERALISATION IN GATS

Article II.1: Most-Favoured-Nation Treatment

With respect to any measure covered by this Agreement, each Member shall accord immediately and unconditionally to services and service suppliers of any other Member, treatment no less favourable than that it accords to like services and service suppliers of any other country.

Article XVI.1: Market Access

With respect to market access through the modes of supply identified in Article I, each Member shall accord services and service suppliers of any other Member treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in its schedule.

Article XVII.1: National Treatment

In the sectors inscribed in its schedule, and subject to any conditions and qualifications set out therein, each Member shall accord to services and service suppliers of any other Member, in respect of all measures affecting the supply of services, treatment no less favourable than that it accords to its own like services and service suppliers.

WTO-OMC 1994

As under the control of tariff and non-tariff barriers in GATT, the GATS signatories⁹ (cf. Appendix 2: WTO/GATS member countries) are bound by existing trade-restricting measures. These are specific commitments which define, for all the four modes of every type of service, trade-related measures that either contradict the principles of free market access and national treatment or that require respect in a certain field.

Additionally, the commitments spell out measures opposing the principle of MFN treatment. All trade-related regulations and laws have to be documented and any change has to be reported to member countries (GATS Art. III.1).

All measures covered by schedules of specific commitments are subject to the principle of progressive liberalisation. At the latest, five years after the WTO-OMC agreement's entering into force (i.e. at the latest in the year 2001), new negotiations for the gradual dismantling of trade-restricting measures have to be called and conducted regularly (Art. XIX.1).

⁹ All WTO-OMC members are subject to GATS regulations. In addition, Congo, Algeria and China have submitted commitments, even though they are only observers.

BOX 6: THE PREAMBLE OF GATS

Members,

Recognizing the growing importance of trade in services for the growth and development of the world economy;

Wishing to establish a multilateral framework of principles and rules for trade in services with a view to the expansion of such trade under conditions of transparency and progressive liberalization and as a means of promoting the economic growth of all trading partners and the development of developing countries;

Desiring the early achievement of progressively higher levels of liberalization of trade in services through successive rounds of multilateral negotiations aimed at promoting the interests of all participants on a mutually advantageous basis and at securing an overall balance of rights and obligations, while giving due respect to national policy objectives;

Recognizing the right of Members to regulate, and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives and, given asymmetries existing with respect to the degree of development of services regulations in different countries, the particular need of developing countries to exercise this right;

Desiring to facilitate the increasing participation of developing countries in trade in services and the expansion of their service exports including, inter alia, through the strengthening of their domestic services capacity and its efficiency and competitiveness;

Taking particular account of the serious difficulty of the least developed countries in view of their special economic situation and their development, trade and financial needs;

WTO-OMC 1994

THE SCOPE OF GATS

Contrary to the original intention of dealing with all types of services under GATS, no agreement was reached in some service areas. For the time being, only negotiating programmes have been concluded for air and maritime transport services, (basic) telecommunications, movement of natural persons supplying services under the GATS agreement and financial services. In fact, liberalisation in the last mentioned areas is already much more advanced than foreseen in the GATS provisions. The Annex on Air Transport Services is of particular importance for the tourism industry, as it excludes traffic rights, however granted, and services directly related to the exercise of traffic rights. GATS thus only applies to aircraft repair and maintenance services, the selling and marketing of air transport services and CRS services.

Besides temporary restrictions on principles of free trade in individual services set out in the schedules of specific commitments, GATS provides for a restriction of the MFN treatment in four areas under certain conditions:

- when establishing economic integration (usually as free trade zones or customs unions) under Art. V,
- when the state purchases services for its own use (government procurement) under Art. XIII,
- with the bilateral recognition of foreign training courses, professional experience and admission regulations that, in contrast to the MFN clause, do not need to be extended to other contracting parties (Art. VII), and

- non-discriminatory and non-arbitrary measures to protect public morals or to maintain public order in case of serious threat to a fundamental interest of society, to protect human, animal or plant life or health; to secure the prevention of deceptive and fraudulent practices or of safety and other security exceptions (Art. XIV, XIVbis).

DEVELOPING COUNTRIES IN GATS' POINT OF VIEW

In keeping with Art. 5 of the Preamble (cf. Box 6) Art. IV.1 designates areas in which greater participation of developing countries in world trade is to be facilitated. Key areas include "...the strengthening of their domestic services capacity and its efficiency and competitiveness inter alia through access to technology on a commercial basis; the improvement of their access to distribution channels and information networks; (and)...the liberalisation of market access in sectors and modes of supply of export interest to them". Furthermore, GATS calls for industrialised countries to establish information and contact points for service suppliers from developing countries (Art. IV.2) and for special priority to be given to implementing the provisions of Art. IV to the benefit of least developed countries (LDCs).

Flexible and more favourable treatment (Art. V.3) is granted the countries involved in economic integration. They are also accorded a limited choice of sectors and service types to be liberalised and a selective market access linked to their level of development, taking account of the goals set out in Art. IV (see above) (Art. XIX.2).

According to the objectives of Art. IV, developing countries are always considered to be service suppliers which must be given easier access to service markets in industrialised countries. This is the classical perspective of trading in goods between South and North, and is also justifiable.

Given the problems of tourism in developing countries outlined in chapter 1, the question arises as to how its consequences are to be handled in terms of commercial law. The GATS treaty does not attempt to cover this.

2.2 TOURISM RELATED SERVICES UNDER THE VERDICT OF LIBERALISATION

According to the intention of GATS, the interaction between general principles and procedural standards should lead to an ongoing process of progressive liberalisation in all dimensions and in all (sub-)sectors of trade in services. The critical factor in between this interaction is the concept of specific commitments, as the result of this progressive mechanism depends to a very large extent on them. To understand and evaluate the scope of liberalisation, set up under GATS for a certain sector, these commitments need to be analysed in detail, which entails certain difficulties:

Sector-specific commitments require a common sectoral classification framework to distinguish each (sub-)sector in its scope. In reality, there might be quite a close interrelation between different sectors, which is evident especially in the case of tourism-related services. The GATS commitments are based on a special classification system developed by the Group of Negotiations on Services (GNS). With regard to tourism, the GNS system is very restrictive. It includes only four sub-sectors in Tourism and Travel-Related Services (TTRS): (i) hotel/restaurants, (ii) travel agencies/tour operators (iii) tourist guides services and (iv) others. Therefore, for every sector-specific analysis it needs to be clarified in advance to which extent cross-sectoral relations have to be taken into consideration.

Tourism and Travel Related Services : the Spectrum of GATS

Travel and Tourism- Related Services

bookkeeping, auditing
facility management
tourism market research
real estate agencies for tourism properties
renting of transport equipment
business consultancy

purification plant management
garbage collection
beach cleaning
water resources management, parks

incoming agents
travel accessories, sports equipment, souvenirs
travel accessories, sports equipment, souvenirs
theme and fantasy parks, hotels

traveller aid services
fitness clubs, cure services
special services for handicapped persons

travel insurances
currency management
multilateral development funds

celebrations, shows
event calendars, promotion
as mentioned by GATS
as mentioned by GATS
arts activities

GATS Services Sectoral Classification

professional services
computer and related services
research and development services
real estate services
rental/leasing services without operator
other

sewage services
refuse disposal services
sanitation and similar services
other

commission agents' services
wholesale trade services
retailing services
franchising
other

hospital services
other human health services
social services
other

all insurance and insurance-related services
banking and other financial services
other

entertainment services
news agency services
sporting and other recreational services
other

**business
services**

**environmental
services**

**distribution
services**

**health-related
and social
services**

**financial
services**

**recreational,
cultural and
sporting
services**

**communication
services**

**construction
and related
engineering
services**

**educational
services**

**tourism and
travel-related
services**

**transport
services**

other services

postal services
courier services
telecommunication services
audiovisual services
other

installation and assembly work
other

primary education services
secondary education services
higher education services
adult education services
other

hotels and restaurants
tourist guides services
other

maritime transport services
air transport services
space transport
rail transport services
road transport services
pipeline transport services
other

research and consultancy by international tourism bodies

Travel and Tourism- Related Services

vacation mailing services
computer reservation systems, online services
training media
database management

hotels, recreational and other facilities
all tourism facilities
all tourism facilities
all tourism facilities

hotel schools
tourism degree programmes
tourist guides education

as mentioned by GATS
as mentioned by GATS
as mentioned by GATS

cruising, diving tours, yachting, ferries
ferries
charter and related support services

special rail tour services
tourbuses
residences water supply
catering

Diagram 4

Another problem that further complicates comparative analysis is that some member countries differentiated the GNS classification. Their specific commitments refer to a combination of the GNS system and the corresponding Central Product Classification (CPC) which offers a far more detailed classification of sub-sectors. That is why in the field of tourism, some countries treating hotel and restaurant services as separate categories made different commitments, while other countries referred to both sub-sectors as one.

Finally, it has to be taken into account that the scope of trade measures bound by commitments includes a vast range of different regulations, which, for the time being, are not comparable to each other. Although GATS itself offers a kind of classification of these trade measures¹⁰, it has been proved in practice that a more differentiated system needs to be used¹¹.

Although GATS mechanisms can be described precisely, it is quite debatable whether and how they influence a certain sector. On the one hand, it has been stated, that „... tourism is indeed one of the most liberalised service sectors with commitments“ (Limam 1995). On the other hand, other sectors such as information technology and financial services seem to be far more affected by GATS than tourism. Furthermore, there is controversy over the role of GATS in the process of liberalisation: Is it a landmark or a failure in terms of promoting liberalisation?

The following chapter might seem to be very technical in content. However, it may assist the reader in understanding the GATS mechanisms and their influence on a certain sector. First of all, it will be explained using India's tourism commitments how specific commitments work. Secondly, the focus will be on the tourism sector. Sub-sector-specific trends in commitments of all signatory states will be identified in relation to certain types of trade measures, country groupings and regions. Finally, it will be examined to which extent the tourism industry is really affected by GATS.

FUNCTIONING OF SPECIFIC COMMITMENTS: INDIA'S TOURISM-RELATED SERVICES

Sector-specific commitments contain all the trade measures affecting one of the three core principles of liberalisation (Box 5, p. 27) which a signatory state is willing to make. The country agrees not to step back behind this fixed limit in terms of liberalisation. First of all, each country has to decide which sub-sectors will be ruled by the GATS principles of market access and national treatment.

Next, it has to decide on those sector-related measures which shall remain in force even though they violate these principles. The measures are listed along the four modes of supply (cf. p. 26). For each sub-sector this procedure offers eight dimensions of restricted liberalisation (four modes times two principles). Additionally, a country has to schedule all measures separately which are violating the Most-Favoured Nation Treatment (MFN).

¹⁰ Art. XVI.2 takes the following restrictions into account: (i) limitations on the number of service suppliers (numerical quotas, monopolies, exclusive service suppliers, requirements of an economic needs test); (ii) limitations on the total value of service transactions; (iii) limitations on the total number of service operations or on the total quantity of service; (iv) limitations on the total number of natural persons that may be employed in a particular service sector or that a service supplier may employ; (v) measures which restrict or require specific types of legal entity or joint venture through which a service supplier may supply a service; and (vi) limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

¹¹ The set of administrative requirements in trade regulation, as for example licensing procedures or residence requirements, is not properly covered by the classification offered in Art. XVI.2.

Table 3: India's specific commitments to Tourism and Travel Related Services

Commitment	Mode of supply	Market Access	National Treatment
HORIZONTAL COMMITMENTS	Cross-border supply Consumption abroad Commercial presence		In case of collaboration with public sector enterprises or government undertakings as joint partners, preference in access will be given to foreign service suppliers/entities which offer the best terms for transfer of technology
	Presence of natural persons	Unbound except for measures affecting the entry and temporary stay of natural persons who fall in any of the following categories: Business Visitors ... Intra-corporate transferees ... Professionals ...	Unbound except for measures referred to under Market Access

9. TOURISM AND TRAVEL-RELATED SERVICES

Hotels and other lodging services (CPC Ex. 641)	Cross-border supply	Unbound*	Unbound*
	Consumption abroad	Unbound	Unbound
	Commercial presence	Only through incorporation with a foreign equity ceiling of 51 percent	None
	Presence of natural persons	Unbound except as indicated in the horizontal section	Unbound except as indicated in the horizontal section
Travel Agency and Tour Operator service (CPC 747)	Cross-border supply	Unbound	Unbound
	Consumption abroad	Unbound	Unbound
	Commercial presence	Only through incorporation with a foreign equity ceiling of 51 percent	None
	Presence of natural persons	Unbound except as indicated in the horizontal section	Unbound except as indicated in the horizontal section

All limitations which might exist with regard to other categories of business visitors might change or be introduced in the future.

To understand this approach of scheduling, one has to keep in mind that it is a 'hybrid' of a positive and negative listing (cf. p. 32): The Indian government is not allowed to introduce any other discriminative measures, for example *subsidies*, in favour of domestic *hotel* owners (negative listing concerning measures) which would violate its commitments to national treatment concerning 'commercial presence'. On the other hand, the Indian government is free to introduce such a measure for tourist guide services, as this sub-sector has been left aside (positive listing concerning sectors).

TRENDS IN TOURISM-RELATED SUBSECTORS

It has already been mentioned that it has to be decided which related sub-sectors beyond TTRS should be taken into consideration in analysing the impact of specific commitments. In the case of tourism, this decision is arbitrary, as nearly every sub-sector in services is linked to the tourism sector. In the following analysis, any kind of air transport services and sporting and other recreational services have been included as their relation to TTRS is evident. Other sectors, for example construction, play an important role but cannot exclusively be attributed to tourism.

HOTELS/RESTAURANTS

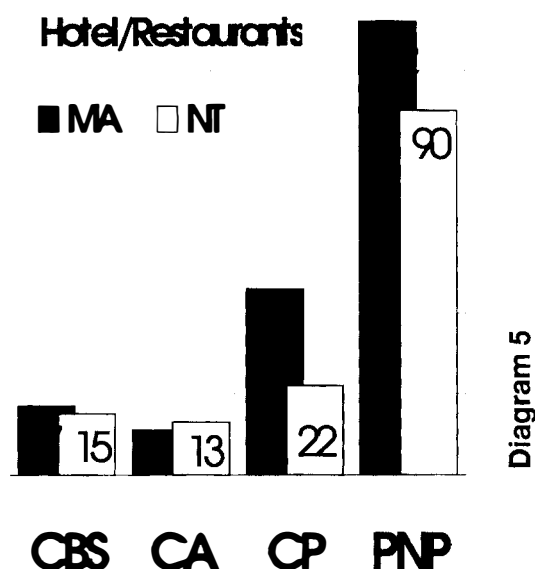


Diagram 5

It is worth mentioning that only eight signatories of GATS did not make commitments in this subsector¹⁶. Due to the fact that production and delivery are the key dimensions in supplying¹⁷ hotel and restaurant services, 'cross-border supply' (CBS) does not play any role as a mode of supply. Although it might be technically feasible to take 'consumption abroad' (CA) into account in these fields, this mode has been considered as negligible by the signatory states: Nearly all of them committed themselves to „no restrictions“.

'Commercial presence' (CP) and 'presence of natural persons' (PNP) are the key areas for commitments in this sub-sector. Concerning 'commercial

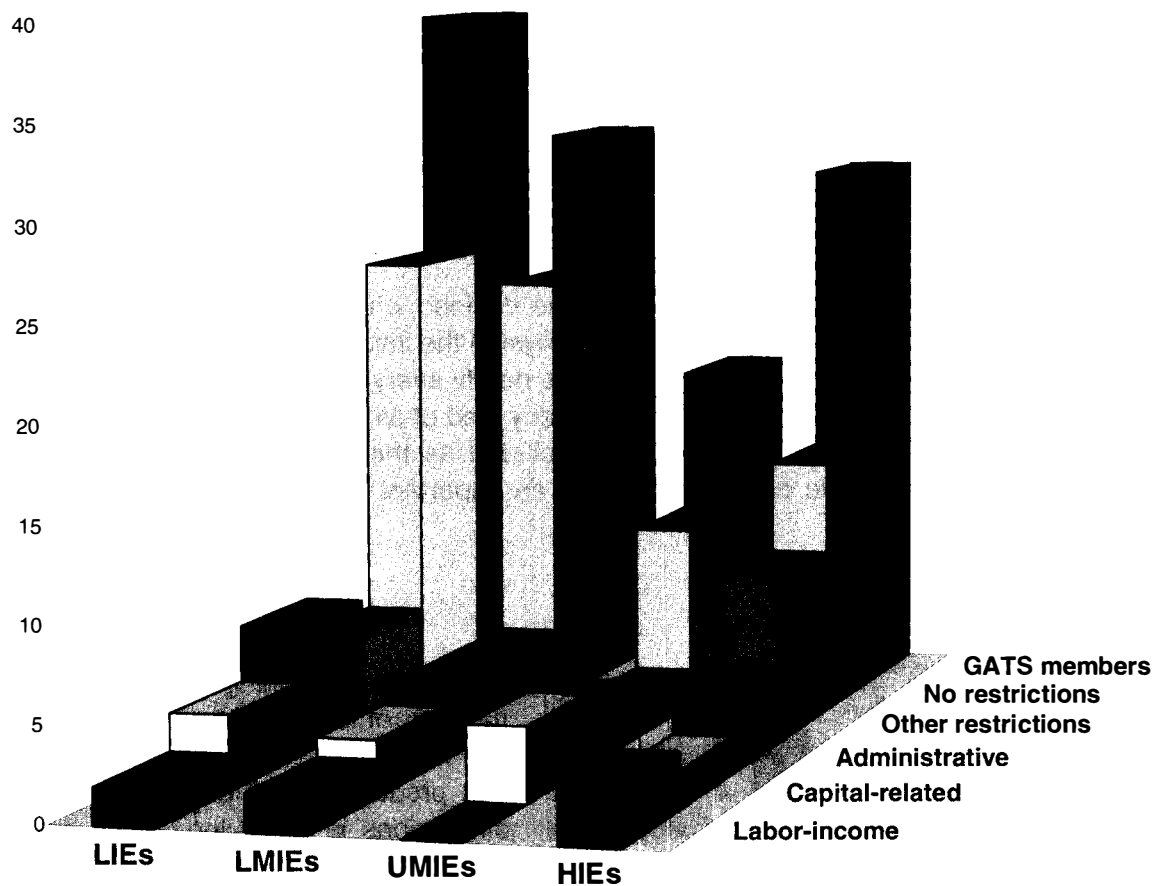
presence', diagram 5 above shows that mostly low and lower-middle-income economies¹⁸ in Africa and Latin America have liberalised market access for foreign investors: 64 percent of all signatory states belonging to the group of LIEs

¹⁶ The group which did not present any commitments in TTRS includes Mozambique, Brunei, Bahrain, Madagascar, Barbados, Belize, Cyprus and Maldives. Significantly, the last four countries belong to the group of so-called tourism countries: Their international tourism receipts exceed 5 percent of GDP or 10 percent of export revenues.

¹⁷ By definition "supply of a service" includes „... the production, distribution, marketing, sale and delivery of a service“ (GATS Art. XXVIII).

¹⁸ The classification follows the income-orientated country classification introduced in the World Development Report 1996 (IBRD 1996):

**Diagram 6: Types and Number of Commitments to Market Access:
Foreign Direct Investment (CP) in Hotels/Restaurants**



and 75 percent of LMIEs committed themselves to „no restrictions“ in this mode of supply. Significantly, the group of high-income economies has not achieved such a high degree of liberalisation of foreign direct investment. Only half of the group of HIEs (48 percent) has 'no restrictions' in that mode. Eight member states of the European Union choose a very uncommon way by neither committing themselves 'unbound' nor specifying any trade measures in that field. African countries seemed to have a preference for administrative measures (licensing procedures and approval requirements).

As the hotel and restaurant industry is labour-intensive, it is not surprising that '*presence of natural persons*' (PNP) is the least liberalised mode of supply. 117 out of 119 countries signing commitments in TTRS restrict the movement of hotel staff. 68 countries refer directly to their horizontal commitments ('unbound except as indicated in horizontal commitments') which mostly offer only temporary stay for business visitors, intra-corporate transferees (managers, specialists and executives) and professionals.

This indicates, that more than half of all signatory states restrict free movement of labour across the scope of all types of services.

Low-income economies (LIEs): GNP p.c. \leq 725 US-\$

Lower-middle-income economies (LMIEs): 726 \leq GNP p.c. \leq 2.895 US-\$

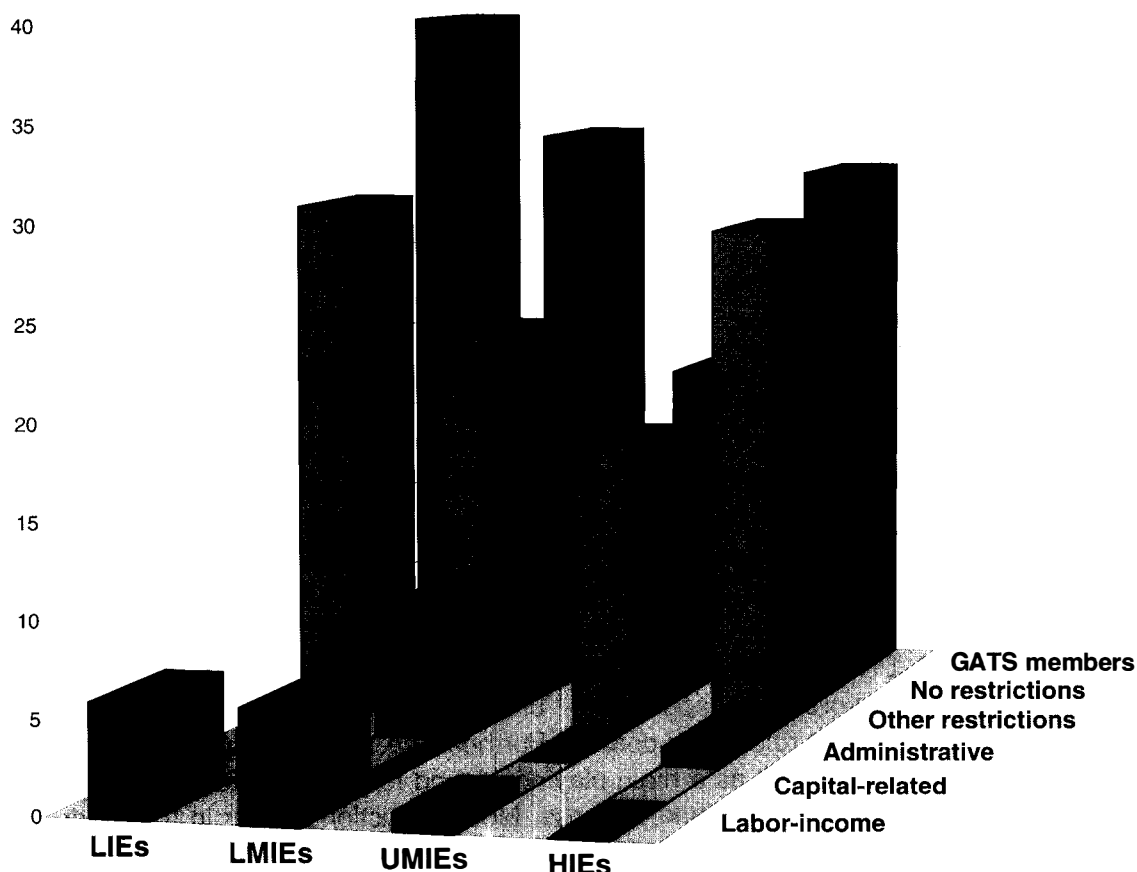
Upper-middle-income economies (UMIEs): 2.896 \leq GNP p.c. \leq 8.955 US-\$

High-income economies (HIEs): GNP p.c. $>$ 8.955 US-\$.

Nearly all European states (23 of 25 signatory states) choose to restrict this mode of supply in that way. 10 percent of all countries belonging to the group of LIEs are offering an unrestricted movement of natural persons, compared to LMIEs (3 percent), UMIEs (6 percent) and HIEs (3 percent). 21 countries, none of which belongs to the group of industrialised countries,¹⁹ limit market access with regard to the presence of natural persons.

Apart from this limitation, they are the only ones, however, who at the same time grant national treatment to both foreign and national qualified staff on their domestic markets.

**Diagram 7: Types and Number of Commitments to Market Access:
Presence of Natural Persons (PNP) in Hotels/Restaurants**



TRAVEL AGENCIES/TOUR OPERATORS (TA/TO)

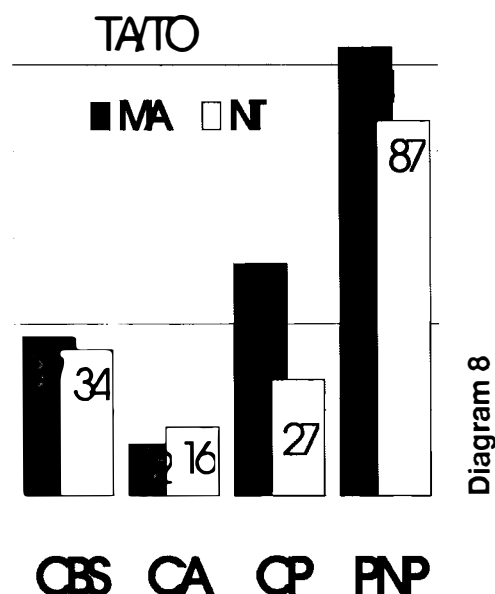
Only 37 out of 92 countries, mainly LIEs (19 counts) and LMIEs (9 counts), are committing themselves to restrict market access in the mode of 'crossborder supply' of TA/TO, mostly with unbound measures. Especially those countries in which this service sector generates a major part of GDP²⁰ limit market access for foreign TA/TO.

¹⁹ Kenya, Cameroon, Central African Republic, Chad, Namibia, Swaziland, Benin, Guinea, Mali, Antigua/Barbuda, Dominica, Grenada, Saint Lucia, Saint Vincent & G., Trinidad/Tobago, Philippines, Thailand, Sri Lanka, Bangladesh, Egypt, Malta.

²⁰ To estimate the degree of dependence of individual countries on the tourism sector, four groups have been differentiated in the analysis:

no dependence:	tourism receipts in percent of GDP < 1 percent,
low degree of dependence	1 ≤ tourism receipts in percent of GDP < 3 percent
tourism oriented countries	3 ≤ tourism receipts in percent of GDP < 10 percent
countries dependent on tourism	tourism receipts in percent of GDP > 10 percent

Chances for consumers to use external travel agencies or tour operators are far more liberalised, as 77 countries present no restriction to 'consumption abroad'. Again, however, 'commercial presence' and 'presence of natural persons' are the more decisive modes.



Only eight out of 27 high-income economies (HIEs) committing themselves to TATO offer completely free market access concerning *commercial presence*. Compared to the HIEs, developing countries (DCs) made broader steps towards liberalisation (cf. Diagram 7): 36 (LIEs + LMIEs + UMIEs) of 68 countries do not present any restrictions. Mainly developing countries restrict foreign direct investment (FDI) via licensing requirements (9 countries) or capital restrictions (6). Eight member countries of the European Union (EU), despite their commitment to TATOs, did not fill the form of commitments related to restrictions of 'commercial presence', which makes it difficult to interpret their position.

It is remarkable that all HIEs regulate the 'presence of natural persons' in their horizontal commitments, which results in a high level of protection against free movement of labour. Eleven out of 68 developing countries did not make this choice. They either did not restrict this mode (5) or they bound administrative and labour related measures.

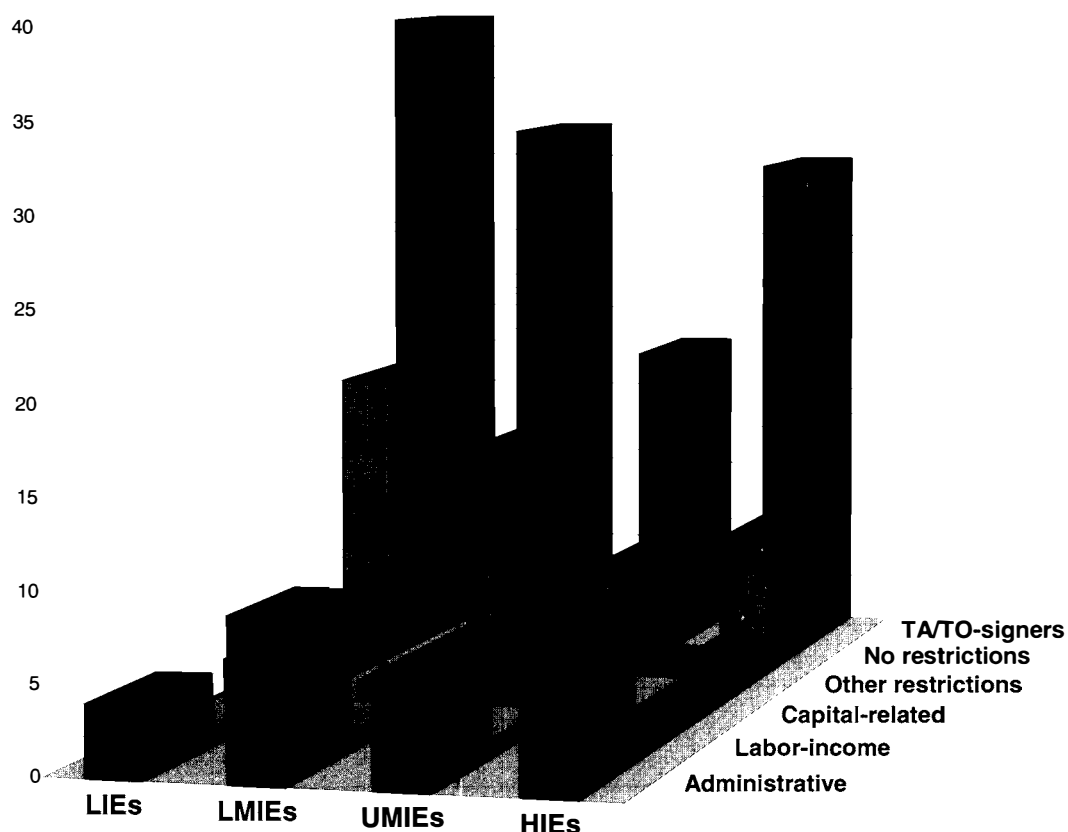
TOURIST GUIDES SERVICES (TGS)

Only 22 HIEs and 31 DCs presented commitments in the sub-sector of tourist guides services. Even though theoretically applicable, 'crossborder supply' and 'consumption abroad' do not play a significant role in this context. Furthermore, the majority of countries do not consider 'commercial presence' as a main playing ground for tourist guides services, as 19 HIEs and 21 DCs did not restrict market access. Most restrictions occur in the mode of 'presence of natural persons': All 22 HIEs restrict this mode by binding it via horizontal commitments in the well known way. In DCs the situation is not uniform: 19 countries choose the way along horizontal commitments, four committed themselves in a similar way in their specific commitments, three bound some restrictive measures and signed the mode as unbound. This leads to the result that TGS is the most protected sub-sector of TTRS.

SPORTING AND OTHER RECREATIONAL SERVICES (SRS)

Beyond TTRS, the sub-sector of sporting and other recreational services shows the highest degree of protection from the side of industrialised countries, especially in the mode of 'presence of natural persons'. 19 out of 22 HIEs used horizontal commitments to restrict the movement of labour. In the group of DCs 11 out of 21 countries followed this way, four countries signed 'no restrictions', four bound the demand for working permits. Foreign direct investment (FDI) is not seen as an important domain in this sub-sector, as most of the countries committed themselves to 'no restrictions'.

**Diagram 9: Types and Counts of Commitments to Market Access:
Commercial Presence (CP) of Travel Agencies/Tour Operators**



AIR TRANSPORT

Although commitments in air transport do not include the key sector of passenger transport²¹, key segments of tourism-related transport are touched upon by them, especially maintenance/repair of aircraft services, CRS and sales/marketing. It is worth noting that freight and rental of aircraft, which are - besides passenger transport - other important sub-sectors in terms of turnover, have also been left aside (cf. table 4, p. 40: Regional trends in air transport commitments).

Mostly American (7) and European countries (21) introduced commitments in the field of CRS. These restrictions (most of them by European countries) do not relate to market access but to national treatment in the mode of 'crossborder supply'. They focus especially on CRSs controlled by an air carrier of one or more countries, in which case no commitment, i.e. 'unbound', has been entered. 'Commercial presence' shows a corresponding picture, although the level of protection in DCs seems to be very high, too.

In the field of maintenance and repair of aircraft, the presence of natural persons is of key importance for services to be delivered. Except for Turkey, which has almost completely liberalised this type of service, all 42 countries have marked this mode as 'unbound'.

Limitations to liberalisation in the service area of sales and marketing of air transport are mainly focussing on market access and national treatment with regard to the presence of natural persons, as well as national treatment of cross border supply and commercial

²¹ At the end of the Uruguay-Round negotiating parties did not reach the point of general agreement on introducing this sector into GATS. It is planned to include it in the next round of negotiations.

presence. European countries, above all those belonging to the European Union, limit sales and marketing through reservation systems, the key instrument of distribution.

Restrictions for services in the field of CRS are separately documented in the commitments. Furthermore, the restrictions which Singapore, Thailand, Poland, Switzerland and Liechtenstein entered under exemptions to the most favoured nation principle need to be considered. It becomes clear that despite the fact that most countries (32 out of 40) allow for free market access, only 15 countries grant equal treatment to foreign and domestic suppliers in the sense of national treatment in cross border supply. There is an analogous development in the restriction of commercial presence. 30 countries allow for free market access; national treatment, however, is granted by only 15 countries among which there is no single European one. The presence of natural persons is completely limited. Apart from Turkey, no other country allows for free market access. Equal treatment of foreign and domestic suppliers is only granted by Iceland, Finland and Romania.

Table 4: Regional trends in air transport commitments

Sector	Africa	America/Car.	Europe	East Asia /Pac.	Total
CRS	2	7	23	2	40
Freight	1	1	0	0	2
Maintenance/ Repair	2	11	23	6	42
Rental of aircrafts	2	2	1	0	5
Sales/ Marketing	1	4	20	5	30
Supporting services	2	2	0	1	5

GATS: OBSTACLE OR MOTOR OF FREE TRADE IN TOURISM-RELATED SERVICES?

It is noteworthy that out of 127 GATS signatory states 119 countries presented commitments in Tourism and Travel-Related Services. No other service sector shows such a high percentage of participation.

Commitments in Tourism and Travel-Related Services have been used as a ticket to enter the World Trade Organization. When looking for an answer to the controversial question posed in the heading, GATS has to be interpreted in two different ways: Firstly, we have to look on the actual results of the Uruguay-Round, i.e. the state of bound trade measures. Secondly, we have to interpret the scope of commitments as the foundation for future negotiations. Keeping in mind the 'hybrid'-approach of the commitments mechanism (cf. p. 32), it is obvious that 'commercial presence' in the field of hotel and restaurant industries offers the greatest potential for a far reaching process of liberalisation.

'Presence of natural persons' as a mode of supply has the highest degree of restriction in all tourist services. At the same time, however, this mode is therefore the key starting point for future steps towards liberalisation, as the problem no more consists in defining individual restrictive measures, but in removing restrictions. This development will equally take place in the area of 'hotels/restaurants' and in the sub-sector 'travel agencies/tour operators'.

The two sub-sectors 'tourist guides services' and 'sporting and other recreational services' have in the past negotiations hardly been liberalised. However, they rank second to the other sectors in terms of their economic importance. What is more important is the whole spectrum of air transport services. In this area, too, there were only first steps towards liberalisation taken in the Uruguay Round. In the future, the focus is likely to be on passenger transport.

In a nutshell, it can be said that the current commitments point the way for the further liberalisation of services in the areas of hotels/restaurants and travel agencies/tour operators. In the coming round of negotiations, the still existing restrictions will be dismantled and the basis for the liberalisation of other travel and tourism related services broadened.

2.3 BRAVE NEW WORLD? - FORESEEABLE EFFECTS OF PROGRESSIVE LIBERALISATION

In practice the negotiations of the Uruguay Round followed the 'chief supplier rule'. In each negotiating group the most important sector-specific suppliers agreed on certain liberalisation measures, to be extended to all members. This procedure - claimed to facilitate negotiations - actually means that the dominant countries and interest groups can effectively dictate liberalisation measures to the weaker suppliers. If future rounds proceed in the same way, only a few countries of the South, such as India, Thailand and South Africa will be able to exert direct influence on negotiations in the case of tourism. The interests of a large number of destination countries, which despite their high tourist flows are not able to provide a substantial share of tourist services, will probably hardly count.

The present situation regarding trade-relevant measures does not indicate which of these measures will be dismantled in the next few years, or whether further areas, such as passenger transport, are going to be included. The effects outlined here can therefore only be general in nature. The uncertainties connected with such an appraisal can be illustrated by the promises to liberalise CRS usage.

1. Providers of travel and tourism-related services (TTRS) will expand their business in holiday destinations and increasingly compete with local providers. If the latter do not succeed in closing the technology gap between them and the big integrated tour operators, particularly in the field of IT, the share of local services in this sector will continue to decline.
2. The reduction of the few local equity requirements will promote further concentration and integration. The anticipated growth stimulus and positive effects on foreign exchange balances will be slight and tourist numbers will grow.
3. Treating domestic and foreign suppliers equally (same national treatment) means that developing countries will lose the instruments of selective promotion of domestic industries (subsidies, tax relief), since foreign suppliers will be granted the same claim to investment incentives.
4. Through the reduction of existing restrictions regarding cross-border payments, countries are likely to completely lose control over concealed profit transfers. This also puts into perspective hopes that tourism could trigger major development processes via increased tax revenues.
5. Commitments so far indicate that the free movement of qualified technical staff and middle and top managers will increase in all areas of travel and tourism-related services. This is linked with the expectation that these groups can make a crucial contribution to technology transfer in the destinations. As long as this transfer is not institutionally safeguarded by further measures, there are few incentives for companies to bear the cost of this technology transfer and to contribute to the development of human capital.

Table 5: Liberalisation Effects – two CRS-Scenarios

Technical conditions, the relative competitive position of individual suppliers and the macro-economic context may compensate for the expected positive effects of liberalisation. The optimistic estimate of the World Tourism Organisation, appearing here in italics (WTO-OMT 1995c, 18f), has only limited validity against the background of economic conditions in developing countries:

A developing country may restrict the establishment of CRS, because it is perceived as putting its national airline at a disadvantage. Under GATS, Country A where a CRS is based will be able to approach Country B where it is restricted and ask that the restriction (e.g. commercial presence) be lifted. Country B will then decide what market liberalising measure it wants in return from Country A or from other countries in which CRSs are based and which may equally be interested in accessing its market. In addition to fair access terms, the compensating measures sought by Country B could be in the tourism sector or in another sector. Countries involved will then negotiate.

If the talks succeed in lifting the limitations and allowing the CRS into the new market, this market opening will be available to CRSs from all countries and the following advantages could result:

Investment:	<i>The CRS that is seeking to establish itself in Country B will have to invest in Country B. This will have a positive result on the latter's balance of payments and economy.</i>	The technical infrastructure and necessary components are not available in country B. The local agency of CRS suppliers in country B imports the necessary components on a franchise basis. There is a gross outflow of foreign exchange.
Access:	<i>Country B will be granted fair access terms in the CRS for its tourism services suppliers.</i>	Very few major local suppliers in the cities can participate in the distribution of tourist services via CRS as the infrastructure is not yet available for nation-wide communication.
Training and Employment:	<i>Local Staff will have to be trained and employed because bringing in a full expatriate staff may be prohibitively expensive. This will attract know-how and technology and will create new jobs.</i>	The system is set up as a client system of an international server. Only a small number of external specialists is required to maintain it, who can travel to the spot or give external assistance via a help-desk system. The technological dichotomy between supplier and user remains.
Payments:	<i>Local telecommunication costs have to be paid, thus increasing country's revenues.</i>	External satellite systems are used that are not charged for by local suppliers.
Taxes:	<i>Payment of local taxes boosts revenues for national treasuries.</i>	Concealed profit transfer takes place through price-fixing for external services to maintain the system. Tax revenues stagnate.
Prices:	<i>Declining prices for consumers and increasing commissions for travel agents may result because of new competition.</i>	Scope for setting prices is not passed onto the customers when the market is dominated by travel agencies which are part of a holding with CRS providers.
Benefits in other service sectors:	<i>The negotiated compensations vary and could include, for example, increased business services opportunities for professionals of Country B in all other GATS countries</i>	Country B has no service areas in which it is competitive in the markets of industrialised countries.

It has been stressed several times that the actual effects of liberalisation will largely depend on sector-specific conditions in the individual countries. Concentration on the part of multinational travel conglomerates has already become a major factor. A comparison of two scenarios in the field of global distribution via CRS shows (Table 5) that optimistic scenarios tend to overlook this factor. A more differentiated approach to liberalisation of travel and tourism-related services is therefore necessary.

2.4 SUSTAINABLE TOURISM OPTIONS IN THE FIELD OF GATS

UPGRADING REPORTING SYSTEMS

As shown in chapter one, no reliable estimates have yet been made of the macroeconomic effects of international tourism in developing countries, due to a lack of appropriate survey procedures and a systematic assessment scheme. SICTA is an important step in the right direction, but it is incomplete as it does not take account of the social and ecological costs of the tourism industry - insofar as they can be recorded at all. When it comes to assessing service trade in this sector, the WTO-OMC's trade policy review mechanism lacks empirical foundations as does the revival of multilateral tourism promotion by the World Bank and regional development banks.

Recent approaches, e.g. to measuring gender-specific disparities to supplement the human development index (HDI), or trade-related nature consumption as part of ecological national product accounting, will have to be considered in the assessment of trade effects and will need to be developed.

IMPLEMENTING FLEXIBLE PROCEDURES

As long as there is uncertainty in this sector about the socio-economic, ecological and cultural effects of progressive liberalisation, the convening of a new liberalisation round will have to be postponed. Keeping in mind the difficulties in and opposition to implementing reformed welfare measurement and resource assessment, five years will hardly suffice to put new approaches into practice. Only on the basis of appropriate multidimensional evaluation instruments and a reformed environmental and natural resource accounting can we judge whether further steps towards freer trade will really lead to "sustainable growth and development for the common good" as declared in the Draft Singapore Ministerial Declaration (WTO-OMC 1996: draft Singapore ministerial declaration). So far this has not been shown to be the case.

CHANGING PERSPECTIVES TOWARDS PARTICIPATION

GATS is geared exclusively at service suppliers and national governments. The tourism industry illustrates, however, that there are population groups in the countries concerned who are not themselves players but are all the more affected by the repercussions of expanding international trade. One example is the forced relocation of local communities for the sake of tourism development. The interests of such communities are frequently ignored by national governments and only taken up by NGOs. As several NGOs have already been accepted as participants in negotiations in the framework of the UN-System, WTO-OMC should establish mechanisms ensuring that the representatives of the interests of such communities are heard.

Art. XIX.2 GATS concedes, that the "... process of liberalisation shall take place with due respect for national policy objectives and the level of development of individual members,

both overall and in individual sectors. There shall be appropriate flexibility for individual developing countries for opening fewer sectors, liberalising fewer types of transactions, progressively extending market access in line with their development situation." The decision on how and to which extent these concessions should be used lies with national governments. As GATS itself refers to "measures of central, regional or local governments and authorities, as well as measures of non-governmental bodies in the exercise of powers delegated by central, regional or local governments or authorities" (Art I.3), the result is quite unbalanced: On the one hand, trade-related measures of all administrative levels are placed under GATS; on the other hand, most corporate bodies have no chance to participate or rights to intervene in negotiations at all.

Therefore, Art. XIX.2 should accordingly be amended to take account of the general and special needs of local communities and regions in the liberalisation process as well as of the national political goals and level of development of the individual member states. Only under this condition, if at all, may a broad reach of GATS be acceptable.

TOWARDS A NEW FAIRNESS IN COMPETITION

Experience in the field of information technology to date gives cause for concern that extensively integrated service providers could assume a dominant market position by using information systems in an environment with a low level of technological development. It will be hard to strengthen domestic service capacities in the economically disadvantaged countries if access to technology remains only on a commercial basis. This is all the more so, as the bulk of research and development in industrialised nations is conducted by state-run institutions, and parts of the technical infrastructure of new communication systems enjoy government subsidies. Under these conditions a one-sided orientation to technology transfer on a commercial basis is like a promise to reach or even overtake a train on a single track. Contrary to the intention of GATS, it may be necessary from a development point of view to temporarily close markets in order to leave room for appropriate technological development according to the specific requirements of the country concerned.

In order to avert the possible expansion of a strategic trade policy widening the technology gap, competition regulation must be introduced multilaterally, ensuring transparency of government policy on competition and industry, and allowing fairer conditions for competition between industrialised and developing countries. Originally, the principle of reciprocity demanded that the result of negotiations should be solely equivalent and balanced concessions. With the demand for an "overall balance of rights and obligations" in the GATS Preamble; contracting parties pursue a strategy of "aggressive reciprocity" that is patterned on "super 301", Article 301 of the American Trade Acts. In the past this led to arbitrary trade measures on the part of the United States. The trend towards aggressive reciprocity in the field of commitments must therefore yield to a more selective handling of trade-expansive and trade-restrictive measures.

BALANCING PRINCIPLES AND PRACTICE

In its charter WTO-OMC is pledged to the goal of sustainable development in harmony with growth and employment. In the ongoing negotiating process itself these goals have no corrective function. Solely the overriding idea of progressive trade liberalisation is linked with operative procedures like Most Favoured Nation and National Treatment. Since the functioning and liberalisation thrust of WTO-OMC are based on legal standards, new procedural standards have to be developed to ensure that the stated goals are being met.

3. DISREGARD FOR HUMAN RIGHTS IN TOURISM – CHALLENGES TO THE WORLD TRADE ORDER

3.1 UGLY BACKYARDS OF TOURISM

There are various fields in tourism where a disregard for fundamental human rights can be observed. It occurs

- in violation of basic labour rights as a consequence of working conditions in travel and tourism-related industries, e.g. with respect to working hours, working conditions, or deprivation of employees' rights;
- in disregard for the rights of local inhabitants especially indigenous communities to cultural self-determination in a self-chosen environment, e.g. when people are being displaced from their homes for the land to be used for tourism projects;
- where women are being discriminated against and sexually exploited;
- in child sexual exploitation, ranging from sexual harassment to forced prostitution;
- in child labour and child bonded labour in tourism, catering and entertainment industries as in related service areas.

It is clear that these problems do not accompany tourism development only in developing countries. They are also to be found in the North, albeit to a lesser extent and maybe with another focus. In any case, their close connection with international tourism precludes any moralising stance towards the countries affected by these abuses.

3.2 "BLIND DATES" IN TRADE REGULATION: LEVELS AND MEANS OF INTERVENTION IN INTERNATIONAL TRADE

The causes of human rights violations in tourism are complex and cannot generally be attributed to a single sector or to a misled trade policy. Nor can we expect to solve these problems by trade regulation alone. Under certain conditions, however, such measures may play a supportive role in the enforcement of social standards and human rights.

Minimum social standards can be included at different levels. They have long been part of important ILO conventions (cf. Box 9, p. 50). Discussion about implementing codes of conduct in transnational corporations (TNCs) has also revealed empirical evidence. For example, working conditions in the South African plants of international companies were improved under Apartheid, and these levels maintained. Including minimum social standards in the European Union's general system of preferences is now being discussed as well.

The issue of minimum social standards is not entirely foreign to the WTO-OMC agreement either. Taking up Art. XX of the former General Agreement on Tariffs and Trade (GATT), GATS and WTO-OMC foresee exceptions to the principle of most favoured nation treatment (MFN) in order to protect public morality and order, and also human life and health. Beyond this, GATT Art. XX also includes the very concrete possibility of rejecting goods produced by prison labour and of protecting national treasures of artistic, historic or archaeological value. Even though the importance of such exceptions is evident especially in the tourism sector, trade law practice has not taken up these possibilities, but has rather more or less passed them over when drafting the new world trade order. While Art. XIV GATS, like Art. XX GATT, does mention exceptions to the principle of MFN treatment, it does not - interestingly enough - take up the concrete cases referred to in Art. XX GATT.

BOX 8: ART. XX GATT 1947 GENERAL EXCEPTIONS

Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures: ...

(e) relating to the products of prison labour;

(f) imposed for the protection of national treasures of artistic, historic or archaeological value;

(g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption.

It is a 'blind date' that takes place between early attempts to bind free trade to certain minimum standards on the one hand and the actual problems of human rights violations. Therefore, there is a need for sound regulations ensuring the protection of these rights in the sphere of trade. The world has been observing with concern the increase in child and enforced labour. This has intensified the discussion about introducing a 'social clause' into existing trade agreements. This means ... "special provisions inserted into international trade agreements setting out a number of minimum social standards ... In the case of a negative clause the non-observance of the agreed standards in manufacturing a product means that the importing country shall hinder or totally prohibit market access of this product. In the case of a positive clause the importing country shall grant favourable market access conditions to products manufactured in countries observing the agreed standards" (Gsänger 1994, 16).

In the case of negative clauses there are three forms of trade restrictions which could be considered by the importing country (Kulesa 1995, 60f.):

- *product-related social clauses* restricting the import of goods manufactured under conditions violating official standards;
- *sector-related social clauses* restricting imports of goods from a whole sector;
- *trade sanctions restricting* the import of goods from a country in which certain standards are not being met.

The measures cover penalty tariffs (or customs preferences in the case of positive clauses) or a quantitative limitation of import quotas, up to the possibility of imposing an import ban.

3.3 THE PROS AND CONS OF INTRODUCING SOCIAL CLAUSES: CRUCIAL POINTS IN THE FIELD OF TOURISM

In October 1996, Burma's military junta proclaimed the "Visit Myanmar Year". The international PR campaign was expected to attract half a million tourists into the South-Asian country. With the creation of national parks for eco-tourism and of biosphere reserves, members of the Karen population were expelled from their homes, many were even executed (Tourism Concern 3/97). Military units of the State Law and Order Restoration Council (SLORC) forced thousands of men, women and children to work without being paid wages to build tourism infrastructure such as the railway between Rangun and Mandalay. Those who refused to work were put in chains; prisoners were forced to work (Eine Welt 2/96).

Forced labour, child labour and sexual abuse of children need to be combated at the legislative and executive levels as well as at the judicial. Co-operation with the various players in the tourism industry (hotel and tour operators, carriers, tourist guides), relevant authorities and particularly with the tourists themselves is indispensable. In the fight against commercial sexual exploitation of children, WTO-OMT is promoting international police co-operation,

tourist education, the creation of crime reporting systems and self-regulation in the tourism industry (codes of conduct, good practices, training programmes) and even the creation of an industry-wide Child Protection Task Force (Stäbler 1996). With respect to the world trade order, the question is whether, in addition to the measures already initiated, laws and regulations should be introduced within WTO-OMT.

As the case of Burma shows, even national authorities can use child labour and prison labour and thus defy the relevant ILO conventions. Only a few tour operators followed the Burmese opposition's calls for boycott. Trade sanctions could not be imposed on the WTO-OMC member Burma because GATS lacks both applicable standards and possibilities for their implementation.

One of the most controversial issues regarding the world trade order is whether social minimum labour standards or ecological standards should be introduced. In the Singapore Ministerial Declaration of WTO-OMC all WTO-OMC members pledge to comply with the "observance of internationally recognised core labour standards", but pass on its monitoring to the ILO:

„4. We renew our commitment to the observance of internationally recognised core labour standards. The International Labour Organization (ILO) is the competent body to set and deal with these standards, and we affirm our support for its work in promoting them. We believe that economic growth and development fostered by increased trade and further trade liberalisation contribute to the promotion of these standards. We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and ILO Secretariats will continue their existing collaboration.“ (WTO Focus 15, January 1997)

Over a long period of time, participants in the debate on the introduction of social and ecological minimum standards in the world trade order seemed to be clearly divided into two parties: those in favour, i.e. several NGOs, trade unions, and representatives of several governments and political parties from industrial nations, seemed to be opposed by a large number of NGOs, governments and trade unions in the South.

Recent studies indicate that this seemingly united opposition of the South, which governmental representatives like to refer to, as did the minister of trade in Malaysia, has long been replaced by a more differentiated debate (Piepel 1995; Hensman 1996). There are mainly six arguments against the introduction of social minimum standards in WTO-OMC agreements (Hess 1995; Hensman 1996).

(1) The new WTO-OMC order gives unilateral preference to industrial nations' interests and is part of an exploitative international order. If ecological or social minimum standards are introduced industrial nations are given additional opportunities of intervention against third world countries and divert attention from the real problems raised by the global economic framework.

It is indisputable that industrial nations played a dominant role in the GATT negotiations and in WTO-OMC. The new dispute settlement mechanism, however, marked a turning point from principle of consensus of the Uruguay-Round. Experience with this mechanism, e.g. in the tuna-dolphin-conflict²², show that the panel is ready to take decisions which are against

²² In 1990 the USA imposed an embargo on tuna exported from Mexico. Mexican tuna usually has been harvested with nets lacking sufficient dolphin protection measures, a practice violating the U.S.- Marine Mammal Protection Act which asks for import restrictions. The USA was forced by GATT to give up the ban as it violates national treatment: According to the panel, different harvesting practices are not a sufficient reason for discriminating goods. In WTO-OMC perspective

the interests of the most important trading nations. Introduction of ecological or social minimum standards also provides developing countries with opportunities to demand that these standards be complied with in industrial nations as well. As the extent of child prostitution in the large cities of the North indicates, there is a substantial need for intervention. However legitimate the general criticism against the international economic (dis-)order, it should not lead to play one problem against another. Child (bonded) labour and commercial exploitation of children and women, for example, are closely linked to the global economic framework, at least in the export industries.

(2) When social minimum standards are included into trade agreements they can – at best – bring about change within the export industries of a specific country. They have no impact on violations of these standards by other non export oriented industries of the same country, or by countries with only loose foreign trade relations.

Indeed, relevant trade restricting measures should in the first place be product and industry focussed, i.e. efficient only in a limited area. However, experience with the fight against child labour in India shows that the debate on potential trade restricting measures to be adopted within the relevant export oriented industries, e.g. in the carpet industry, raises public awareness about the problem of child labour. Even industries that mostly produce goods and services for the domestic market are in this way forced to conform to new requirements. Trade sanctions as *ultima ratio* would also have an impact on countries seeking only selective world market integration.

(3) The introduction of trade sanctions under WTO-OMC rule would undermine implementation and further development of ILO standards and of the ILO monitoring system. Developing countries would necessarily refrain from ratifying additional ILO standards, fearing automatic sanctions whenever implementation of standards proves insufficient.

Whether a trade-off will take place between the introduction of sanctions and ratification of the relevant standards will mainly depend on what the standards, the monitoring system and the future division of tasks between ILO and WTO-OMC will be. Trade sanctions can only be *ultima ratio*. Both organisations need to set up a procedure that would, as a first step, allow for independent reports on violations of ILO standards by member or non-member states. Negative sanctions would not necessarily have to be applied whenever a conflict arises. As an alternative positive incentives could be granted for the implementation of standards according to international law.

(4) In the past, trade sanctions have been imposed or lifted mostly for strategic reasons or motives relating either to defence policy or economic policy. A homogenous application of sanctions is also being prevented by WTO-OMC agreements themselves, as the GATT 1994 only provides for the possibility not the obligation of introducing trade measures protecting health and environment.

The conflict between the USA and the EU on "The Cuban Liberty and Democratic Solidarity Act" („Helms-Burton Act") shows that trade sanctions – like in this case imposed by the USA on companies with direct investments in Cuba – are common practice amongst trading nations, which does not justify their arbitrary use. What is therefore needed is a set of rules governing the responsible application of trade sanctions. There is an urgent need for a more detailed definition of standards, which should be as binding as possible with respect to international law.

signatories are not allowed to extend trade restrictions extraterritorially for the sake of environmental and resource protection.

(5) Trade sanctions are at least partially destructive, in the sense that they affect those whose living and working conditions are to be improved by compliance with specific standards.

As negative effects cannot be excluded for these groups of persons, they should be granted a hearing and the right to participate in the decision making process on potential sanctions.

(6) The introduction of sanctions in order to impose social and ecological minimum standards leaves the door open to protectionist abuse of all kinds. These standards could, above all, be used to eliminate comparative cost advantages that developing countries have due to lower wages.

The threat of protectionism and the loss of comparative cost advantages are the arguments most often brought forward against the introduction of social and ecological minimum standards. Apart from the fact that the theorem of comparative cost advantages is subject to very restrictive prerequisites that hardly correspond to the reality of the world economy and that comparative cost advantages only have a limited influence on foreign trade relations, recent OECD studies indicated clear links between social and ecological standards on the one hand and the dynamics of trade and its structure within a specific country on the other hand. Thorough checks in the dispute settlement mechanism can ensure that social standards cannot be abused for protectionism.

3.4 RECOMMENDATIONS

TAKING DIFFERENCES SERIOUSLY

It may seem unoriginal to demand that differing positions of NGOs and Northern and Southern governments be recognised. This bears repeating, however, in view of the coverage of the WTO-OMC conference in Singapore in late 1996. Otherwise the voices of NGOs critical of social clauses will be instrumentalised by governments with little interest in improving the situation of those who have to work under inhumane conditions.

Social clauses are not the one and only way to enforce minimum social standards. In the best case they support the efforts of social groups to create humane working conditions. The different views on priorities and different approaches concerning suitable instruments in the fight against child labour should be taken seriously. In current controversies about the introduction of social standards, NGOs critical of tourism are called upon to reach a consensus on the problems where the use of trade policy instruments may improve the situation for people standing outside of formal economies.

ABOLISHING CHILD PROSTITUTION AND BONDED LABOUR BY REGULATING TRADE

To be realistic, there will probably be no consensus for a social clause covering all basic ILO standards in the foreseeable future (cf. Core ILO Conventions concerning Minimum Labour Standards, p. 50). Moreover, a broadly defined standard could place undue strain on the ability of some developing countries to observe adaptation deadlines. This is why we propose to begin by focussing demands on the narrow field in which the worst human rights violations occur and which seems best suited to obtain the critical support of sceptics. Once NGOs have reached sufficient agreement on this proposal, the first step would be to introduce a sectoral negative clause imposing suitable sanctions on child bonded labour in connection with child prostitution. Such a voluntary arrangement would initially prevent objections that introducing a case-specific social clause meant the levelling down of comparative cost advantages of developing countries by industrialised nations. This objection would be

unfounded for the very reason that in the case of sexual exploitation of children and bonded labour, the economic way of thinking has reached its limits. To exceed these limits would mean to accept that human beings have become a tradable good. Therefore, economic theory and politics are not only challenged to recognise limits to growth, but certain limits to the application of trade theory as well.

Since child prostitution in many countries is substantially stimulated by the development of tourism, it would be helpful to extend GATS Art. XIV along the lines of original GATT Art. XX. However, this cannot be a matter of a product-related social clause, since there is rarely a direct connection between international tourism service suppliers and the operators of child prostitution networks. A sector-specific clause would require governments to oppose the violation of children's rights and to provide sufficient legislation and law enforcement capacities.

BOX 9: CORE ILO CONVENTIONS CONCERNING MINIMUM LABOUR STANDARDS

No. 29 and 105: CONVENTION CONCERNING FORCED LABOUR and ABOLITION OF FORCED LABOUR

Each Member undertakes to suppress and not to make use of any form of forced or compulsory labour and secures the immediate and complete abolition of forced or compulsory labour.

No. 138: CONVENTION CONCERNING MINIMUM AGE

Each Member for which this Convention is in force undertakes to pursue a national policy designed to ensure the effective abolition of child labour and to raise progressively the minimum age for admission to employment or work to a level consistent with the fullest physical and mental development of young persons (Art. 1).

No. 111: CONVENTION CONCERNING DISCRIMINATION

All human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity. Each Member declares to pursue a national policy designed to promote equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination, distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social originary discrimination in respect thereof.

No. 98: CONVENTION CONCERNING THE APPLICATION OF THE PRINCIPLES OF THE RIGHT TO ORGANIZE AND TO BARGAIN COLLECTIVELY

Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment (Art. 1).

No. 87: CONVENTION CONCERNING FREEDOM OF ASSOCIATION AND PROTECTION OF THE RIGHT TO ORGANIZE

Workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization (Art. 2).

No. 100: CONVENTION CONCERNING EQUAL REMUNERATION

... secures the principle of equal ordinary, basic or minimum wage or salary and any additional emoluments for men and women workers for work of equal value.

Besides a sector-specific social clause, appropriate inter-linked reporting systems should be set up both by WTO-OMC and ILO to ensure the participation of the children affected by sexual exploitation and forced labour, along with representatives of their interests and other players. Consideration should be given to introducing country-specific adaptation deadlines as well as assistance, and to the demand for customs preferences as positive incentives for

change. Such a 'soft' system is preferable to an automatic sanctioning procedure. It would institutionalise co-operation between ILO and WTO-OMC while ensuring their independent operations. In addition, it will provide a basis for country-specific support in implementing the new trade standard.

Such a voluntary arrangement might be criticised for initially ignoring the broader scope of minimum social standards. Experience based on this narrower approach, however, could promote the discussion of trade-relevant issues in the other areas of minimum social standards. These spread effects should be used in development policy in order to achieve a breakthrough in other areas of human rights' violation.

4. ECOLOGICAL IMPACTS OF TOURISM AS A TRADE ISSUE

4.1 SHORTCOMINGS OF THE NEW WORLD TRADE ORDER

Examples are legion that environmental damage has become a tourist's companion. The tourism industry actually is in the dilemma of overusing the resources on which it depends, as they are one of its key locational factors. Efforts which are being made to appear more sustainable by introducing eco-tourism concepts are still in their infancy and have not yet developed beyond a niche existence.

Although the WTO-OMC is committed to the goal of sustainable development and use of resources (cf. Agreement Establishing the World Trade Organization), and GATS allows exceptions to the principle of most favoured nation treatment, the world trade order clearly falls short in this field in three ways:

1. Despite the fact that at the UN level the connection between trade and environmental costs has long been taken into consideration when reforming environmental and natural resource accounting, it does not play any particular role in the assessment of welfare benefits through liberalisation under WTO-OMC and the reform of calculating a cross-sectoral tourist value added. Were it to be consistently taken into account, the positivist equation of free trade with welfare benefits would no longer be tenable.
2. Individual WTO-OMC agreements have so far merely considered the protection of territorial environmental goods. It is not yet clear what such protection might be like, what trade-relevant measures would cause lasting violations and how the observance of this standard could be monitored. Important extraterritorial goods, such as the atmosphere and seas, which are permanently damaged by tourism, are not taken into account.
3. In the case of violation of standards, other international environmental agreements provide for trade-restrictive measures that conflict with, or are not covered by WTO-OMC agreements. Future conflicts might occur especially in relation to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES 1973), the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (1989) and the Montreal Protocol on Substances that Deplete the Ozone Layer (1990/92).

4.2 WHO'S WRONG? MARKET FAILURE OR TRADE LIBERALISATION AS A CAUSE OF ENVIRONMENTAL DEGRADATION?

The joint declaration of the first ministerial conference of the WTO-OMC member states in Singapore (9-13.12.96) glosses over the potential conflicts between trade liberalisation, development and environmental protection, turning them upside down:

"The Committee (on Trade and Environment) has been examining and will continue to examine, *inter alia*, the scope of complementarities between trade liberalisation, economic development and environmental protection. Full implementation of the WTO-OMC Agreements will make an important contribution to achieving the objective of sustainable development" (Singapore Ministerial Declaration 13.12.96). However, in contrast to all diplomatic optimism and blinkered theory, no clear positive connection can be observed between free trade and development or between free trade and environmental protection.

Box 10: Ricardo's theorem of comparative cost advantages

Development theories on foreign trade are all based on the theorem of comparative costs, established in 1817 by David Ricardo. In essence, this theorem says that each of two countries should specialise in the production of those goods in the production of which it has comparative cost advantages, i.e. the greatest relative efficiency or the relatively better conditions compared to the other country. This can be illustrated by a simple example. Suppose that Brazil and Germany are in a position to produce two equal commodities, machines and computers. With the same limited resources, Germany can produce either 20 machines or 12 computers and Brazil 10 machines or 9 computers. In this situation Brazil has an absolute production disadvantage regarding both products. In the case of computer production this is relatively smaller than in the case of machines ($12/9$ vs. $20/10$) and constitutes a comparative production advantage. This would become effective if the two countries limited themselves to producing the commodity in the production of which they had comparative production advantages and if they traded amongst themselves. Domestic exchange relations for the product would improve in both countries and they would achieve an improvement of their income situation in terms of supply of goods.

Before entering into trade, either 20 machines or 12 computers are produced in Germany, the exchange ratio amounting to one machine per 0.6 computers. In Brazil this ratio is one machine to 0.9 computers, as the production of the latter seems to be relatively cheaper. Assuming that having started trading, the world market price must lie between these two exchange ratios - otherwise trade would not make sense - e.g. around 0.75, Brazil would receive 1.2 machines on the world market instead of one machine on the domestic market, forgoing 0.9 computers. In this case, Germany would receive 0.75 instead of 0.6 computers, forgoing one machine.

The theorem of comparative costs serves to explain and justify the classical and new international division of labour from an economic perspective, since it shows that in the case of free price fixing on the world market, i.e. free trade, countries with absolute production disadvantages but comparative cost advantages can achieve welfare gains in the form of a higher supply of goods. This theorem has entered GATT and WTO-OMC in the form of the liberalisation principle and provides the theoretical foundation for world wide efforts to liberalise trade.

Economists justify the necessity for free trade with Ricardo's theorem of comparative cost advantages²³ (cf. Box 10). The World Trade Organization illustrates its importance with an anecdote²⁴:

'Nobel laureate Paul Samuelson (1969) was once challenged by the mathematician Stanislaw Ulam to "name me one proposition in all of the social sciences which is both true and non-trivial." It was several years later that he thought of the correct response: comparative advantage. "That it is logically true need not be argued before a mathematician; that it is

²³ Ricardo's theorem was elaborated upon in this century. The development line extends via Heckscher-Ohlin's variable-proportions factor endowment theory to the neo-factor endowment theory. The weaknesses in Ricardo's theorem set out below also apply to its theoretical successors.

²⁴ This anecdote was published by the WTO-OMC in the Internet (<http://www.unicc.org/wto>). The quote is from P. A. Samuelson (1969), "The Way of an Economist", in P.A. Samuelson, ed., *International Economic Relations: Proceedings of the Third Congress of the International Economic Association*, Macmillan: London, pp.1-11.

not trivial is attested by the thousands of important and intelligent men who have never been able to grasp the doctrine for themselves or to believe it after it was explained to them."

The theorem is really true and non-trivial. Yet, the assumptions on which it is based are so restrictive that it was only of limited applicability at the time of Ricardo (1772-1823). The weaknesses of this theory are well known (Todaro 1994, 426ff; Ekins/Folke/Constanza 1994, 4f). In view of the interaction between trade, environment and development, the following four weaknesses of the theorem are of particular importance:

- (1) In Ricardo's world, production technology is unchanging and available to all nations.
- (2) There is no international mobility of production factors. Labour and capital remain in the countries engaged in trade and are mobile merely within these countries.
- (3) Prices remain stable and are not subject to the market power of the players in trade.
- (4) There are no externalities²⁵, prices do not properly reflect the real costs of production.

The reality of many developing countries is in conflict with the first three points. Ricardo's theorem leaves no room for foreign direct investments, oligopolies and technology parks. There is a clear connection between international trade and the damaging of environmental goods: international trade is responsible for about an eighth of global oil consumption (Ekins/Folke/Constanza 1994, 7f). Yet, this connection is a matter of dispute. In the spirit of Ricardo's fourth weak point, economists point to the fact that the "...primary cause of environmental degradation is market failure, not trade liberalisation" (Wilson 1994, 1). Proponents of this argument consequently expect an internalising of these environmental costs, e.g. through an appropriate fiscal policy, eco-balance sheets (life-cycle assessment) and contribution systems (French 1994; Dieren 1995).

An effective environmental protection policy will never win the day without internalising environmental user costs. These efforts meet with inherent limits, however. The use of environmental goods in production and trade can only be considered in pricing when this use can be quantified in monetary units, i.e. when the value of these goods can be determined. That this is virtually impossible may be illustrated by the question about the "worth of a song-bird" (Funtowicz/Ravetz 1994), to which no satisfactory answer can be given.

There is another limit to the idea of internalising externalities. Prices for the use of environmental goods suggest that natural capital can be replaced by (produced) capital, which is only possible to a limited degree. Damaging biological diversity by building a hotel in a nature reserve may (certainly only inadequately) be assessed in monetary units. As a rule, this diversity cannot be restored even with the aid of compensation payments. Starting from a detailed grid of the environmental functions that ecosystems fulfil for human beings alone (Groot 1992), it turns out that very few of them, such as individual productive or regulative functions, are the subject of a market-based assessment in monetary units. The external effects of extensive use of these functions are not considered in pricing at all.

The widespread idea that the primary cause of environmental degradation is market failure, not trade liberalisation, is based on the erroneous idea that all use of the environment can somehow be compensated for in monetary terms and can then be considered in international pricing. From this perspective, the price of environmental use including environmental damage would possibly be so high that the latter would not take place at all. However, no market will ever develop for most trade-related environmental damage, such as the loss of biological diversity or habitats for the sake of cultural enjoyment, as their value cannot be

²⁵ A negative externality, also called external effect or spill-over, occurs in a situation of market failure. Then prices no longer reflect all costs of production; private and social costs of production diverge. An example of an externality is when rivers are polluted by companies without this pollution being considered in cost calculation and product prices.

measured in monetary terms. Internalising external effects is a necessary but insufficient condition for defusing the conflict between the expansion of international trade and the protection of the environment. Supplementary multilateral protective mechanisms are required in order to protect those environmental goods for which it is impossible to internalise their use.

4.3 WHO'S FIRST? POSSIBLE CONFLICTS BETWEEN MULTILATERAL ENVIRONMENTAL AGREEMENTS AND WTO-OMC IN THE FIELD OF SERVICES

Although there have so far been no conflicts of standards between the WTO-OMC regime and the multilateral environmental agreements (MEAs), potential conflicts do exist between the two. The arrangements of individual agreements relating to trade, such as the UN Framework Convention on Climate Change (FCCC, 1992), the Convention on International Trade in Endangered Species (CITES, 1992) or the Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter (London Convention, 1972) are not necessarily compatible with the WTO-OMC treaty (Goldberg et al. 1995). However, these conflicts primarily relate to trade in services. Merely from applying the London Convention, conflicts with GATS regulations could arise with regard to the trade in waste²⁶.

The WTO-OMC Committee on Trade and Environment (CTE) was aware of the need for clarification with regard to the relationship of GATS and different MEAs (CTE 1996, item 9). In the discussions the demand was formulated "... to identify the environmental impact of the liberalisation of trade in services (e.g. transport and tourism) and the impact that certain environmental legislation might have on trade liberalisation (e.g. conditions applicable to services suppliers in the field of waste management)" (CTE 1996, item 9).

Furthermore, Art. XIV (b) GATS was seen as a possible source of problems. The application of this article could subsequently force individual providers out of service markets. In view of this danger it seems all the more disturbing that the Committee was not able to agree on a practical programme of work for the field of 'Environment and Services', regarding the scope of Art. XIV (b) as sufficiently broad.

Future conflict could also arise from the implementation of the Berlin Declaration on Biological Diversity and Sustainable Tourism (1997), which is intended as a basis for a future convention (or protocol to a convention) on sustainable tourism. It states:

"15. Tourism should be developed in a way that benefits the local communities, strengthens the local economy, employs local workforce and wherever ecologically sustainable, uses local material, local agricultural products and traditional skills. Mechanisms including policies and legislation should be introduced to ensure the flow of benefits to local communities."

While GATS foresees in Art. XV a flexible handling of subsidies in the case of developing countries²⁷, it is ultimately the specific commitments of each country which should determine whether it can really pursue a policy of specific promotion of domestic providers. The far-reaching concessions in the hotel sector, in particular, leave little room for the measures foreseen in the Berlin Declaration.

²⁶ It is still unclear whether the Convention relates to trade in waste as a product or trade in waste removal as a service (Goldberg 1995, 60).

²⁷ It says: "Members recognise that, in certain circumstances, subsidies may have distorting effects on trade in services. Members shall enter into negotiations with a view to developing the necessary multilateral disciplines to avoid such trade distorting effects. The negotiations shall also address the appropriateness of countervailing procedures. Such negotiations shall recognise the role of subsidies in relation to the development programmes of developing countries and take into account the needs of Members, particularly developing country Members, for flexibility in this area."

demand for each sector be adequately measured, compared and documented in the national accounting system? - These are the questions which currently determine the discussion of tourism statistics.

In both the recommendations on tourism statistics jointly published by WTO-OMT and the United Nations statistics office and in the Standard International Classification System of Tourism Activities (SICTA) the economic effects caused by tourism-related consumption of natural assets are left out of consideration. This led to the draft of a satellite account system (2nd draft of WTO-OMT's Tourism Satellite Account) to be used for measuring the economic effects of the tourism sector which does not consider tourism-induced changes in the value of natural assets.

A test of the first draft of the account system (1st draft of WTO-OMT's Tourism Satellite Account) came to the conclusion "... that true contribution of tourism to the Dominican economy in 1991 was 18.7 percent of GDP [instead of 4.5 percent conventionally measured]" (WTO news May 1997). This result, however, is misleading. From a comprehensive point of view, the actual ("true") contribution of tourism can be determined only if the tourism-induced physical changes of natural assets are being considered and valued, and if the sector specific contribution to the GDP or NDP is correspondingly corrected.

The consequences of the one-sided WTO-OMT approach are obvious. On the one hand, the value added of the tourism sector would in the future be accounted for in a more comprehensive way. On the other hand, the environmental costs associated with this value added would continue to be left out of consideration. This leads to wrong decision making and could not be compensated even if environmental indicators were defined in some destinations in order to determine carrying capacity. These indicators are first of all far less binding than a universal, internationally recognised satellite account system. Secondly, the proposed indicators (Manning 1996 in WTO News May-June 1996) are of a purely descriptive nature. For example, a "use intensity indicator" has been proposed as one of the core indicators of sustainable tourism. It would be measured as "intensity of use - peak period (person/hectares)". Furthermore, there could be specific "ecosystem indicators", for instance for coastal areas ("degradation (% of beach degraded, eroded)"). These types of indicators, however, merely present the actual situation and do not give any information on critical threshold values. Thirdly, they give no indication on how to value the consumption of natural assets.

...AND THEREFORE NEEDS TO BE ADJUSTED TO TAKE ACCOUNT OF ENVIRONMENTAL ASPECTS

In order to apply sustainability criteria in tourism planning, the sector specific value added and the consumption of natural assets have to be linked. The contribution of the tourism sector to the GDP or NDP as currently measured is not a sufficient indicator for economic progress.

The planned one-sided expansion of the statistical documentation of the environmentally relevant tourism sector is unacceptable, especially as the United Nations revision of the System of National Accounts (UN-SNA 1994) already contains first starting points for a valuation of natural assets. What is more important, however, is that already in 1993 a handbook on the integrated United Nations System of Environmental and Economic Accounting (SEEA) had been submitted. SEEA is the conceptual framework on the basis of which national statistics authorities can devise their environmental reporting systems. The purpose of SEEA is to build up an integrated reporting system, using satellite systems to combine the diverse methods of environmental and resource accounting with the accounting system of the revised System of National Accounts.

Three important areas of reporting exemplify the way in which the interrelation between environment and economy expands the conventional System of National Accounts (Stahmer 1993; Dieren 1995):

At reporting level A, environmental protection related defensive activities (e.g. water treatment plants, waste disposal) will not be accounted for in the conventional SNA, but are separately being represented as monetary aggregates. This mainly applies to the environment related defensive costs actually incurred in the national economy.

Reporting level A+B contains additional quantitative information on the withdrawal of raw materials due to economic activities, on land use and on the pollutant reflux caused.

Reporting level A+B+C shows the actual costs of measures taken (or the potential costs of avoiding pollution in order to maintain a given environmental standard) in order to avoid the environmental impact of the consumption of resources and natural assets accounted for at level A+B.

SEEA offers different valuation methods for these different levels. The methods are partly competing and partly excluding each other. The challenge in the implementation of SEEA first consists in finding an approach suitable for a sectoral structure (impact related versus polluter related costs of environmental use) and in identifying methodological elements. Secondly, possibilities for the implementation within the framework of satellite accounts need to be worked out.

Determining the physical and monetary resource use of tourism was identified in SEEA as a priority for both developing and industrialised countries (UN 1993, 133). This priority, however, was neither dealt with by WTO-OMT nor by the UN Department for Economic and Social Information and Policy Analysis. For the reform of tourism statistics this means that the imminent introduction of a broad satellite account system for recording the value added in tourism needs to be complemented - on the basis of SICTA - by an environmental reporting system in line with this account system. If this cannot be achieved, the reform of tourism statistics would lead to a bookkeeping in which balance forgery by obscuring costs becomes a method.

STEPS TOWARDS AN ENVIRONMENTALLY SENSITIVE REFORM OF TOURISM STATISTICS

The imminent changes in the statistical documentation system have so far hardly been taken up in the critical tourism debate. SEEA got attention by the Club of Rome in its 1995 report. The authors of the report urged for a fast implementation of SEEA to be supported by international organisations (Dieren 1995, 281). Up to now, neither the World Tourism Organization nor the United Nations statistical department followed this recommendation.

It would be fatal if the reform of the documentation system of such an environmentally relevant sector would take place without using this important instrument of environmental politics. Therefore, the International Conference on Tourism Economic Statistics 1998 should consider combining SEEA and the Tourism Satellite Account System. This requires the following steps:

DEVELOPING GUIDELINES FOR TOURISM STATISTICS THAT INCLUDE ENVIRONMENTAL ASPECTS

In the process of developing an integrated account system which takes account of both the different tourism activities and their environmental effects, the principles which guide environmental cost accounting first need to be identified. The selection of suitable principles determines the choice of the accounting methods. For example, it would have to be decided whether to apply the principle of impact related or of polluter related costs of environmental

use. Impact related costs consider the impact on the natural environment to be born by domestic economic agents (for example, individuals, households or firms). They follow spatial criteria. Polluter related environmental costs are attributed to the economic agents which caused them. In the case of international tourism, the question therefore arises whether the environmental costs incurred have to be accounted for in the country of origin (polluter related) or the destination (impact related). SEEA offers suitable methods for both approaches, without, however, combining the two.

Furthermore, considerations must be made with regard to the completeness and scope of the environmental impacts that are to be included. There exists a trade-off between the principle of comprehensive integration on the one hand and that of practicability on the other.

IDENTIFYING THE ENVIRONMENTAL IMPACTS OF KEY ACTIVITIES IN TOURISM AND SELECTING SUITABLE BALANCING METHODS

SICTA in its present form (UN-WTO 1994) already contains a first approach of evaluating economic activities with regard to their importance for tourism supply and demand. Complementing this, a framework of possible environmental impacts needs to be developed in order to record the respective environmental impacts of tourism activities. The selection of environmental impacts to be considered and of suitable accounting systems as outlined in SEEA would then be based on the principles identified above.

PRESENTING EXAMPLES OF ALTERNATIVE REPORTING SYSTEMS

The effect of alternative valuation approaches could most convincingly be illustrated by using a suitable case study. Provided that suitable data records derived from an evaluation of environmental functions are available for a chosen geographic area (nature park, region or country), this case study could refer to the real world. If there are no such data available, the effects of the different valuation approaches could also be illustrated in different scenarios, using a hypothetical example.

IDENTIFYING PRIORITIES FOR IMPROVING TOURISM STATISTICS

On the basis of these scenarios, priorities can be identified for adapting tourism statistics to include environmental aspects. These priorities would need to find entry, for example, into the process of information exchange on sustainable tourism introduced by the Conference of the Parties to the Convention on Biological Diversity (CBD/COP IV, Bratislava, May 1998). This process might eventually lead to global guidelines or even a legally binding protocol on sustainable tourism and biological diversity. It is, therefore, urgent to push all preparatory efforts towards environmentally 'sensitive' tourism statistics in order to increase the chance of including operational standards within this framework.

4.5 THE AGENDA OF SUSTAINABLE TRADE IN TOURISM SERVICES

RECOGNISING USER'S RIGHTS

The restriction of further development of land for tourism may, in borderline cases, violate free market access and national treatment. Authorities could allow local communities, e.g. indigenous groups, a limited exploitation for tourism and refuse it to others. In terms of trade law, such exclusive (also non-tourist) usage rights ought to be considered as not in conformity with GATS, and abolished. This conflict could be solved by referring to GATT Art. XX.

on the protection of national cultural goods. Any effective protection naturally requires appropriate process standards and monitoring instruments.

INDICATING ECOLOGICAL COSTS

The current efforts in adjusting tourism statistics to include environmental aspects must not be hindered by the possible objection that one might first have to concentrate on the reform of narrow economic reporting. It is most unlikely that once a revised tourism satellite account system is adopted, an environment-related reform would soon follow. The data to be recorded would need to be re-adapted. Therefore, an integrated solution should be sought, rather than a two-stage implementation. Only by considering carrying capacity and environment-related costs within the framework of an integrated reporting system can the objective of sustainability in the context of tourism be achieved.

As long as the prices of tourist services do not properly reflect environmental user and damage costs, there will be no reliable basis at all for optimism regarding the economic effects of continuing liberalisation. Establishing suitable accounting systems takes precedence over further negotiations on dismantling existing trade barriers in this sector. The Standard International Classification of Tourism (SICTA) proposed by the WTO-OMT and the UN covers the value added of almost all backward and forward linkages of the tourism industry, but not their environmental and resource use, not to mention their harmful effects. SICTA must therefore be connected with accounting and assessment schemes as already foreseen by the UN System of Environmental and Economic Accounting (SEEA).

Box 11: MAASTRICHT Treaty Article 130r (2)

2. Community policy on the environment shall aim at a high level of protection taking into account the diversity of situations in the various regions of the Community. It shall be based on the precautionary principle and on the principles that preventative action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay.

Environmental protection requirements must be integrated into the definition and implementation of other Community policies. In this context, harmonization measures answering these requirements shall include, where appropriate, a safeguard clause allowing Member States to take provisional measures, for non-economic environmental reasons, subject to a Community inspection procedure.

RECOGNISING MULTILATERAL PROTECTIVE STANDARDS

Existing international environmental standards, e.g. the Convention on Biological Diversity, should not be undermined by the WTO-OMC agreement. The commitment of WTO-OMC to environmental and resource protection should be supplemented by process standards with the same status as market access and national treatment. By analogy with Art.130r (2) of the Maastricht Treaty this can happen through adding another trade standard in connection with a further exception to the MFN principle in accordance with Art. XX GATT. It should be guaranteed that these changes take effect in all three areas of negotiation (goods, services, intellectual property rights).

Additionally, standards have to be developed safeguarding extraterritorial goods adversely affected by cross border trade. Experiences with recent conflicts between trade and environment managed by the dispute settlement mechanism show that the implementation of trade related environmental standards may fail only for the reason that there was not sufficient proof that these standards will work in a non-discriminative manner. To secure efficient environmental protection in the sphere of trade the burden of proof therefore has to be reversed.

WIDENING PARTICIPATION

Environmental and resource protection affects particularly the needs, rights and interests of people in the destination areas. As called for in connection with minimum social standards, and in line with Agenda 21, participatory structures and mechanisms also need to be set up in this field, ensuring the transfer of information and a say for groups whose interests are directly or indirectly affected.

PRIORITIES ON THE WAY TO SUSTAINABLE TRADE IN TOURISM SERVICES

The need for fair trade in goods and services is justified by the increase in consumer welfare that a broader range of goods at lower prices represents. In the case of the international tourism industry, things are somewhat different. Services in the tourism industry are being offered cross border. Consumption of these services is then also cross border. In places where a substantial number of tourist arrivals in developing countries are international tourists, national consumers would have no reason to liberalise tourism services, as the gains of liberalisation would be expected to benefit foreign consumers in the first place. Consumption of key services of a particular destination, i.e. the natural, cultural or 'exotic' surroundings, is usually not at all or insufficiently paid for. Those who promote the development of tourism in these countries therefore point to the positive effects of expanding this industry. In the first part of this study, some of the expectations are being viewed with scepticism with regard to the existing competitive framework in the tourism market. In no other industry has a similar degree of liberalisation been achieved. This is mainly due to the fact that government expectations towards the tourism industry remain unchanged and that important steps for liberalisation had already been undertaken - particularly in the hotel industry - before GATS came into force. Numerous countries are bound to still existing trade restrictions in the tourism industry, which they have used as a vehicle for full WTO-OMC membership.

Some critics regard liberalisation of trade in services as achieved under GATS as insufficient. They see the agreement as mainly re-enforcing existing trade regimes and not promoting progressive liberalisation for the future. Those who share this opinion underestimate the potential impact of industry specific regulations, which provide the 'raw material' for future, more extensive liberalisation efforts. The next round of negotiations will be marked by three orientations:

- Firstly, future delegations participating in the negotiations will try to include industries in the agreement that have been left out so far. Efforts will concentrate on integrating cargo and passenger air traffic.
- Secondly, attempts will be made at reducing existing trade restrictions. This might easiest be achieved through industry specific commitments. Negotiations on horizontal commitments are expected to be difficult, as these commitments apply to all the services of a country. They mostly refer to the free movement of natural persons, a mode of supply mainly subject to horizontal commitments. In the catering industry, liberalisation of direct investments might precede liberalisation of movement of natural persons.
- Finally, efforts will be undertaken to convince more governments to promise liberalisation in specific industries. In tourism-related services this will be the case especially for tour operators and tourist guides services as well as complementary services in sports and culture.

For many governments the very first areas of negotiations will be challenging. Decisions on the priorities in air traffic planning have to be taken now. If this does not happen, far reaching liberalisation of air traffic could result in foreign carriers covering mainly lucrative destinations, whereas domestic carriers would be limited to less attractive domestic routes.

At the international level, NGOs working on tourism will have to agree on a common agenda for reforming GATS. The first question will be whether (and which) trade policy measures should be taken to enforce minimum labour standards and human rights and how such measures could be integrated into the WTO-OMC. The debate related to the subordination of the WTO-OMC regime under existing multilateral environmental agreements should not be too much of a problem. However, shaping future agreements which would help in specifying the Agenda 21 for tourism and would be of legally binding character (such as a convention or a protocol to a convention), might prove considerably more difficult. The danger is that - in anticipation of already existing WTO-OMC rules coming into effect - regulations to promote socially and ecologically sustainable tourism might not be considered at all.

More than ever before, the doctrine of free trade is currently in a weak position. Analysis trying to measure welfare costs of protectionism in the service sector will be a waste as long as prices for these services do not reflect the social and ecological cost of their availability and their consumption. The essential challenge for NGOs will be to take a new position that would replace the one dimensional opposition of liberalisation and protectionism and would lead to the creation of new procedures and monitoring instruments for shaping world trade. This should happen at various levels:

First of all, NGOs would have to exercise stronger influence on developing suitable systems of indicators. As long as the actual social and ecological costs of the tourism sector remain unaccounted for, the optimistic assumption that progressive liberalisation leads to an increase in welfare in the destination countries remains without foundation. Currently there is a danger that existing systems of indicators to measure the economic importance of tourism will be improved only in a one sided way. Suggestions which the World Tourism Organization currently presents for discussion do provide a better basis for assessing the contribution of tourism to national income. However, they do not assess the costs incurred by the negative impacts of tourism. The challenge for NGOs consists in lobbying for the further improvement of existing systems of measurement, which will have to adequately reflect the complex causes and effects. Another major challenge for NGOs consists in exercising direct influence on the upcoming WTO-OMC negotiations which are expected to be opened with the 3rd Ministerial Conference in November 1999. Conditions are favourable, since initial "official" working contacts between NGOs and WTO-OMC already exist. Furthermore, a consensus about the priorities from a civil society perspective has to be agreed upon. GATS will play an important role. After the negotiations on the Multilateral Agreement on Investment (MAI), with OECD in charge failed, GATS is the only agreement which already includes regulations about the protection of investments. These are likely to be expanded. Therefore, the coming negotiations require the special attention of NGOs, even more so since GATS has in their focus so far been rather neglected.

It has repeatedly been indicated that those who would be directly affected by uncontrolled liberalisation of the tourism industry have no opportunity to participate in the debate. Especially the broad definition of trade-related measures in article I.3 GATS needs to be amended to allow for communities, regions and federal states to have their own independent tourism policies. Such an amendment could be guided by the principle of subsidiarity which the European Union refers to in its charter. Originally, this principle was meant to safeguard the autonomy of communities in a hierarchy. It safeguards responsibilities of communities or groups in a legal system against erosion through corporate bodies on a higher level. This principle could be developed to apply to groups affected by the decisions taken within the WTO-OMC who would then be allowed to participate in the process. This would help developing procedures that would take into account the right of communities to self-determination.

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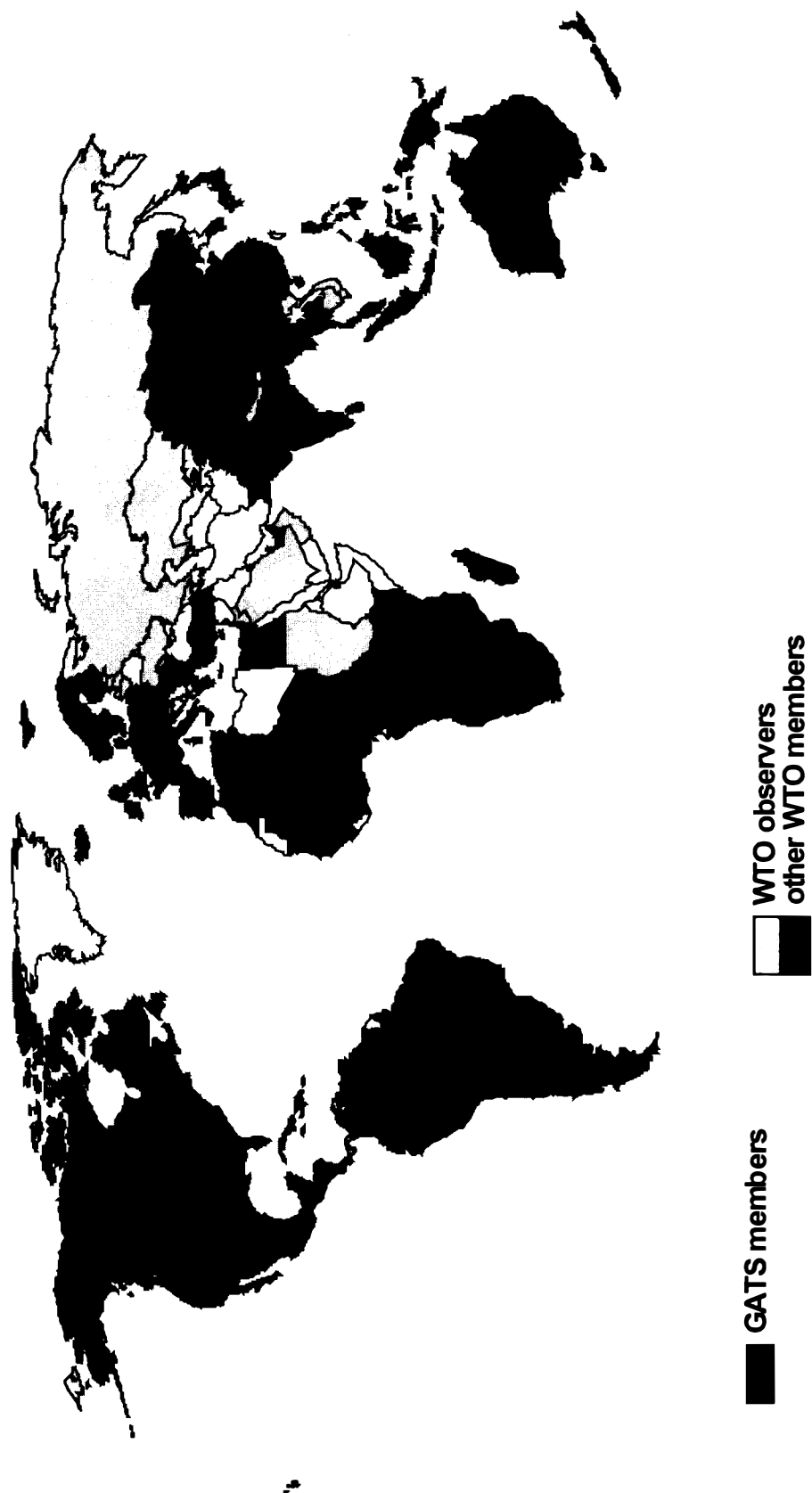
ABBREVIATIONS

CRS	Computer Reservation Systems
FCCC	Framework Convention on Climate Change
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade 1947 as amended through 1966
GATT 1994	General Agreement on Tariffs and Trade 1994
GDP	Gross Domestic Product
GDS	Global Distribution System
GNP	Gross National Product
H/R	Hotels and Restaurants
HIE	High-Income Economies
IBRD	International Bank for Reconstruction and Development
ILO	International Labour Office; International Labour Organization
IUCN	International Union for Conservation of Nature and Natural Resources
LDCs	Least-Developed Countries
LIE	Low-Income Economies
LMIE	Lower-Middle-Income Economies
MATG	Multilateral Agreements on Trade in Goods
MEAs	Multilateral Environmental Agreements
MIA	Multilateral Investment Agreement
NIEs	Newly Industrialized Economies
OECD	Organization for Economic Cooperation and Development
p. c.	per capitum
S/R	Sporting and other Recreational Services
TA/TO	Travel Agencies/Tour Operators
TGS	Tourist Guides Services
TRIPs	Trade related Aspects of Intellectual Property Rights
TTRS	Tourism and Travel-Related Services
UMIE	Upper-Middle-Income Economies
UN	United Nations
WTO-OMC	World Trade Organization
WTO-OMT	World Tourism Organization
WTTC	World Travel and Tourism Council
WWF	World Wide Fund for Nature
WWW	World Wide Web

APPENDIX 1: TOURISM DEPENDENCY

(cf. footnote 20)



APPENDIX 2: WTO/GATS MEMBER COUNTRIES

THE PUBLISHERS

IN GERMANY:

EPD-ENTWICKLUNGSPOLITIK

epd-Entwicklungspolitik is a specialised German language information resource of the German Protestant News Agency (epd). It monitors global trends and gives a voice to the 'South'. Central topics of analysis include not only points of conflict in North-South relations and possible solutions, but also how far the North can cope with developmental change.

The biweekly magazine on development issues 'epd-Entwicklungspolitik' contains approx. 60 pages of current information, background reports, analysis and commentary, political cartoons, as well as a detailed documentation section. Specialised journalists and experts in the fields of development aid, politics, science, culture and education contribute to this magazine. Authors from the South also have their say.

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TOURISM WATCH

Tourism Watch is a special desk of the Development Service of the Protestant church in Germany. It was founded in 1975 against the backdrop of negative experiences with tourism in developing countries. Questioning the equation that tourism means development, Tourism Watch is engaged in information and education on the impacts of tourism in Germany. The Ecumenical Coalition on Third World Tourism is an important partner in international co-operation. Tourism Watch participates in campaigns such as ECPAT (End Child Prostitution, Child Pornography and the Trafficking of Children for Sexual Purposes). It is the co-ordinating office of the Third World Tourism European Ecumenical Net (TEN).

Tourism Watch promotes alternatives which maximise the positive aspects of tourism and minimise its adverse effects. Examples are the ecumenical study tours supported by the Protestant Church in Germany and the ToDo! Contest for Socially Responsible Tourism organised by the Study Group on Tourism and Development which is supported by Tourism Watch. The office publishes a quarterly 'TourismWatch' information service.

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IN INDIA:

EQUATIONS

Equations is a non-profit organisation established for research, training and promotion of holistic tourism. It works towards transforming the inherently exploitative nature of mass commercial tourism by questioning the real benefits of tourism to the host communities as well as its social-cultural and economic impacts. Equations activities include documentation, publication, research, seminars, and the investigation of alternative tourism policies and structures.

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GATS - the General Agreement on Trade in Services - promotes world trade liberalisation. With the expansion from trade in commodities under GATT to trade in services under GATS, the tourism sector has increasingly been affected by these liberalisation processes.

What does this imply for tourism in developing countries, in terms of

- ♦ Market position of service providers in developing countries in an international competitive environment?
- ♦ Options for self-determined development?
- ♦ National sovereignty?
- ♦ Participation of the local population?
- ♦ Safeguarding of human rights?
- ♦ Environmental protection and sustainable resource use?

Jörg Seifert-Granzin (Werkstatt Ökonomie / Germany) and Samuel Jesupatham (Indian Social Institute / India) examine these questions. This publication is the product of a study project, initiated and commissioned by Tourism Watch / Germany and Equations / India. It is aimed at facilitating a constructive international debate on the impact of liberalisation in tourism and on policy options.